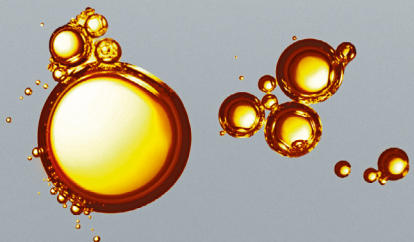


# Sustainability Report 2017

FUCHS PETROLUB SE



# STRUCTURE

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## 1. Foreword



Dr. Lutz Lindemann,  
Member of the Executive Board  
CTO

For FUCHS, sustainability is the guiding principle for long-term responsible conduct – to benefit the successful and future-proof development of the Group, to improve social cohesion, to reduce the irreversible consumption of resources and to prevent long-term damage to our environment.

FUCHS is a company that has succeeded in continuously increasing its sales volumes, sales revenues and earnings. This development has consistently been accompanied by a long-term oriented investing activity for the development of our infrastructure.

Increasing workforce numbers worldwide is how we ensure a stable organization and hence a secure future. Our employees are the heart and soul of our sustainability activities. They formulate the ideas, get involved in social projects and pass on their attitudes toward sustainability to others – and this is a source of pride for us.

Significant increases in the research and development budget sustain our capacity for innovation and ensure the future viability of the company with cutting-edge products. The vast majority of our research and development projects involve improving the effectiveness of machinery or production processes operated with our lubricants.

Our product development team analyzes the raw material portfolio step by step to improve its life cycle analysis. We work with customers and suppliers to establish a framework of standards, which makes sustainability quantifiable and optimizable with respect to life cycle analysis.

Sustainable business is one of the biggest challenges facing current and future generations, who will have to sustain or shape the world to ensure it remains livable. This report outlines the areas in which FUCHS makes a contribution to sustainability.

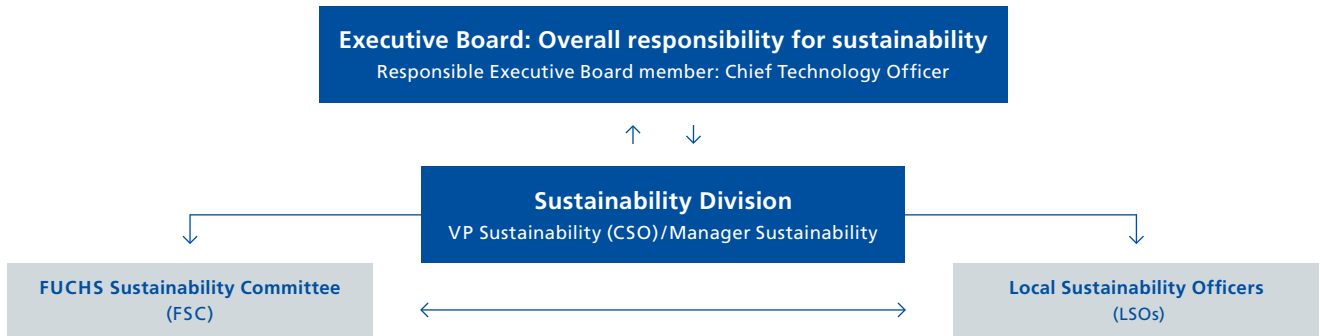
Yours,

A handwritten signature in black ink, appearing to read 'Lutz Lindemann'.

Dr. Lutz Lindemann  
Member of the Executive Board  
CTO

## 2.1 Sustainability organization

### Sustainability organization



The entire Executive Board bears responsibility for sustainability at FUCHS. The Executive Board member directly responsible is the Chief Technology Officer (CTO). The Executive Board defines the strategic sustainability framework in close cooperation with the Group's Sustainability division headed by the Chief Sustainability Officer (CSO).

The Sustainability division works closely with the Sustainability Committee and Local Sustainability Officers to pool the strategic frameworks set and coordinates the implementation of sustainability activities throughout the Group. The FUCHS Sustainability Committee (FSC) is made up of representatives from the Sustainability division, the Executive Director of FUCHS SCHMIERSTOFFE GMBH (FS), and the global function heads of Procurement, Research & Development, Product Management, OEM and Industry Sales. The members of the FSC ensure the sharing of information within the Group along the process and value chain. The Sustainability Committee meets at least three times a year.

The companies are responsible for implementing sustainability activities at their respective offices. We have established a Local Sustainability Officer (LSO) at every national unit with production operations to act as the interface for the CSO.

The Executive Board sets out the binding strategy on Group-wide sustainability issues and projects in conjunction with the Sustainability division and the Sustainability Committee.



## 2.2 Sustainability management

The basic principles for sustainable business at FUCHS specified by the Executive Board are summarized in the form of a comprehensive sustainability guideline (FUCHS Sustainability Guideline), which was published at the start of 2013. The FUCHS Sustainability Guideline is scheduled to be rewritten/updated in 2018.

Sustainability at FUCHS means continuous development and optimization. We have been systematically working on improvements in various areas of sustainability since 2011, and in 2017 we reached further milestones at our global FUCHS locations and throughout the supply chain. In addition we have been involved in the relevant associations for sustainability in the lubricants industry.

Of particular note are:

- Performing a materiality analysis to compile a materiality matrix at FS based on the German Chemical Industry Association (VCI's) Chemie<sup>3</sup> sustainability checks, resulting in four areas for action with potential for improvement being identified;

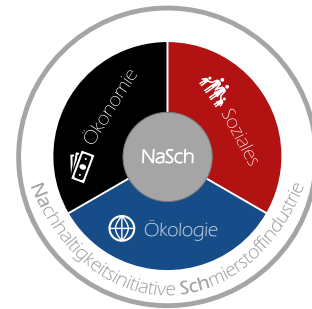


- Signing the Modern Slavery Act Statement in the UK, by which FUCHS has undertaken to prevent the criminal exploitation of human labor worldwide, for instance in the form of human trafficking, forced and child labor or slavery, including beyond its own operations and in its supply chain;



Modern Slavery Act Statement available on the Modern Slavery Registry (<http://www.modernslaveryregistry.org>)

- Being a part of the sustainability initiative for the lubricants industry (NaSch), which FUCHS co-founded with other lubricant companies and associations in Germany. To determine resource consumption in production within the German lubricants industry, the NaSch working group prepared a related questionnaire in 2017 and sent it to members of the Lubricants Industry Association (VSI). The reason for collecting this information is to generate hard energy and water consumption data for lubricants production and hence come up with a standard for the lubricants industry. This process also produces industry benchmarks for the lubricants industry and findings for potential optimizations and enhanced efficiencies;



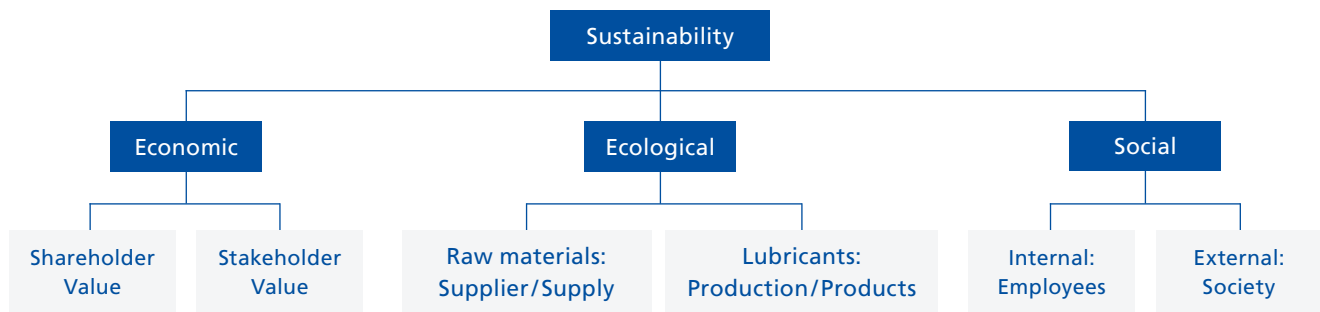
preliminary

- FUCHS being ranked second in its chemical industry peer group by sustainability rating agency, Sustainalytics.



## 2.3 Sustainability dimensions

### Sustainability Dimensions



FUCHS' sustainability activities combine economic, ecological and social aspects of the management approach. FUCHS' sustainability management accordingly covers the three sustainability dimensions of economy, ecology and society.

#### Economic sustainability

FUCHS considers economic responsibility the long-term alignment of its business with the objective of continually increasing company value for the benefit of its shareholders and other stakeholders. Accordingly, FUCHS bases its business decisions on realistic, economically sound and long-term goals, and follows a dividend policy that targets constantly rising or, at the very least, stable dividend payouts.

The KPI for corporate control is FUCHS Value Added (FVA). FVA as a form of economic profit is a catch-all term that encompasses both EBIT and capital employed. A key component of capital employed is net operating working capital (NOWC). Please refer to → [25 Annual Report 2017](#)

#### Economic indicators

in € million	2017	2016	2015
FUCHS Value Added (FVA)	250	257	246
Earnings before interest and tax (EBIT)	373	371	342
Net operating working capital (NOWC) in %	22.3	21.8	21.3
<b>Total dividend payout*</b>	<b>126</b>	<b>123</b>	<b>113</b>

\* Dividend proposal for 2017.

#### Ecological sustainability

For FUCHS, sustainable business also means consideration of the environment and careful use of its natural resources. The aim of guaranteeing living standards for future generations is a top priority for FUCHS. We particularly ensure the responsible use of energy, water and raw materials.

Under the guise of ecological sustainability, we seek to measure the company's ecological "Footprint" and, wherever possible, to reduce this footprint. This footprint refers to its impact on the environment and resources used in connection with extracting and sourcing raw materials by our suppliers, processing and refinement in our lubricant plants, the delivery of the finished lubricants to our customers and the ultimate disposal of these products. However, ecological sustainability also refers to our ecological "FUCHS print". Here we seek to quantify and, where possible, increase the positive effects achieved by our customers in the utilization phase of our lubricant products by reducing fric-

**“Footprint” vs. “FUCHS print”**

Sustainability Assessment Ecological indicators	“Footprint”				“FUCHS print”	“Footprint”
	Raw materials (usage)	Transport (incoming raw materials)	Lubricant production (processing & blending)	Transport (outgoing finished products)	Utilization phase (application)	Disposal (end-of-life-cycle)
Energy consumption	n. a.	n. a.	x	n. a.	x	n. a.
Water consumption	n. a.	n. a.	x	n. a.	x	n. a.
Waste generation	n. a.	n. a.	x	n. a.	x	x
CO <sub>2</sub> emissions	x	x	x	x	x	x

tion, wear and corrosion. The graph above provides an illustration of the ecological sustainability performance indicators that we use to try to measure and reduce the company’s “Footprint” and based on which we have made it our mission to quantify and increase the company’s “FUCHS print”.

**Raw materials: Supplier/Supply**

Lubricants production is part of a much longer process and value chain starting with the procurement of raw materials.

The raw materials used at FUCHS consist of complex chemical raw materials, renewable raw materials and a wide range of base fluids. FUCHS ensures that the raw materials used comply with all EHS regulations (environmental, health and safety) and, parallel to this, invests in alternative raw material solutions that help to protect the environment and resources.

For FUCHS, raw materials are a key element in the formulation of products. A carefully monitored and administered raw material portfolio ensures that the products currently on the market are always available with a consistent level of quality.

The procurement of raw materials is organized both centrally and locally. FUCHS manages its strategically key suppliers with its central lead buyer concept, while the suppliers that are only relevant

to the respective national companies are managed by the local procurement officers.

A continuous supply of raw materials and the prevention of procurement risks are guaranteed by a broad base and a structured search for alternative suppliers. Technical working groups assist procurement officers in validating alternative sources of raw materials to rule out single supply scenarios. Sustainable business services are also taken into account when the company selects potential new suppliers.

Given the strategic importance of having key suppliers of necessary raw materials at all times, FUCHS actively manages its supplier relationships. The centrally managed FUCHS suppliers are assessed each year in the scope of a global supplier evaluation on the basis of five criteria: business relations, pricing, technical aspects, quality, and order and delivery management. Sustainability aspects were added to these criteria in the 2017 financial year.

This means that in the future the centrally managed FUCHS suppliers will also be assessed based on environmental, social and governance criteria in addition to their corporate carbon footprint/product carbon footprint. In the event of any deficits in the fulfillment of these criteria, suppliers are issued with specific action plans and implementation deadlines.



In this context the following criteria are to be highlighted:

- **Environment Social Governance (ESG):** Back in 2013, FUCHS called on its centrally managed suppliers to provide written confirmation of their commitment to compliance with the corporate ethical requirements and minimum social standards prescribed by the FUCHS sustainability guideline or to present their own similar compliance guidelines. We take steps to ensure that we do not procure any conflict minerals as described by the 2010 Dodd–Frank Act. These are raw materials from critical regions associated with military conflicts or human rights abuses. We also expect our suppliers to comply with the FUCHS Code of Conduct and ensure that the obligations contained therein are met within their own supply chains. This is why ESG criteria have been part of the FUCHS supplier evaluation since 2017.
- **Corporate Carbon Footprint (CCF):** This is a key performance indicator that specifies the amount of greenhouse gas emissions that a company produces. At FUCHS, the largest share of the CCF is not produced within the company's own – and therefore directly controllable – limits, but rather in the upstream supply chain. Suppliers' CCF data has thus been included in the FUCHS supplier evaluation since 2017.
- **Product Carbon Footprint (PCF):** FUCHS suppliers are also assessed beyond their CCF on the basis of their product-specific greenhouse gas emissions and PCF as well as the PCF of the raw materials supplied to FUCHS including potential reduction targets. This information is used as the basis for ecological audits and life cycle assessments (LCAs) for FUCHS lubricants, which will need to be undertaken in cooperation with selected suppliers starting in 2018. Suppliers' PCF data has thus been included in the FUCHS supplier evaluation since 2017.

As a result, the first supplier evaluation that the company performed on the basis of these ESG, CCF and PCF sustainability criteria further intensified the understanding with selected suppliers and, in some cases, also led to the establishment of sustainable partnership projects. In these projects, FUCHS is working with its suppliers to quantify ecological sustainability in its lubricants portfolio. In this way, FUCHS is not only living up to its own responsibility, but is also encouraging its suppliers to do more to address the issue of sustainability. Our goal is to contribute to the continuous improvement of ecological sustainability in the value chain through cooperation with strategic suppliers. That not only applies in relation to resource efficiency and environmental standards, but also to increasing the amount of environmentally friendly raw materials in our own production processes.

#### **Lubricants: Production/Product**

All production locations of the FUCHS Group worldwide were certified according to the ISO 9001 quality management standard at the end of 2017. 60% of production locations are also certified according to the ISO 14001 environmental management standard, 30% according to the OHSAS 18001 Occupational Health and Safety Management System and six European production locations according to the ISO 50001 Energy Management System. We are aiming to increase the number of production locations certified according to ISO 14001 to over 80% and to double the number of production locations certified according to OHSAS 18001 in the next two years.

## Production locations FUCHS Group

	Number per country	ISO 9001	ISO 14001	OHSAS 18001	ISO 50001
Argentina	1	1	1		
Australia	2	2	1	2 *	
Belgium	1	1			
Brazil	1	1	1		
China	2	2	2	2	
Germany	7	7	5	2	5
France	1	1	1		
India	1	1	1		
Indonesia	1	1	1	1	
Italy	1	1		1	
Japan	1				
Canada	2	2			
Mexico	1	1			
Poland	1	1	1	1	
Russia	1	1	1	1	
South Africa	1	1			
South Korea	1	1	1		
Spain	1	1	1		
Sweden	1	1	1		
USA	4	4			
UK	1	1	1	1	1

\*Certified according to AS4801

The FUCHS production sites are located in designated industrial and commercial areas, and are planned and run according to Group-wide safety and environmental specifications so that as few substances as possible that could impact biodiversity are released into the environment.



In 2017, the FUCHS production site in Mannheim was presented with an award by the Alliance for Greater Resource Efficiency for the comprehensive energy and CO<sub>2</sub> reductions. The project had the title “Energetic and material use of waste condensate – doing our bit for sustainability” project. The new FS test facility was specifically designed for sustain-

able future operation, in terms of an improvement of its energy footprint. High-temperature condensate, a waste product from nearby production, is used to heat the new building and to keep

an adjacent warehouse free from frost, and allows a significant reduction in CO<sub>2</sub> emissions. Its subsequent use as feed water for the cooling tower and adiabatic cooling also reduces the need for treated water.

Given FUCHS’ low vertical integration as a refiner at the end of the process and value chain, the direct ecological footprint in lubricant manufacturing is relatively low. FUCHS therefore differs from the conventional chemical industry. Nevertheless, its goal is to continuously reduce its ecological footprint through environmentally friendly production methods. FUCHS is therefore developing special technologies and investing in state-of-the-art, safe systems for lubricant production, and in continuous process optimization. The goal is to minimize or further decrease its energy and water consumption, not to mention waste, in production operations, thereby reducing CO<sub>2</sub> emissions.

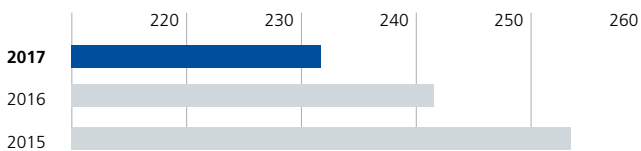
In 2013, the management of FUCHS' major production locations, which account for around 90% of overall production, set annual quantifiable reduction targets for energy and water consumption in addition to waste generation in lubricant production by 2016. These reduction targets were only partially achieved. One of the main reasons for this was shifts in the portfolio, which changed the consumption profile.

First we intend to gain an even better ecological understanding of production processes specific to the portfolio and resource consumption at our locations, and to generate possibilities for process optimization and resource efficiency. FUCHS will therefore no longer be setting quantifiable reduction targets for its ecological sustainability indicators. Since 2015, we have continued to reduce energy consumption in lubricant production and CO<sub>2</sub> emissions in energy consumption, as well as water consumption and waste generation per ton of lubricant produced.

### Ecological indicators

#### Development of energy consumption

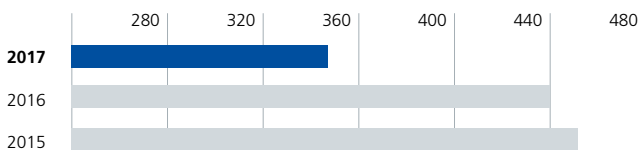
(in kilowatt hours per ton produced)



Basis: FUCHS production locations.

#### Development of water consumption

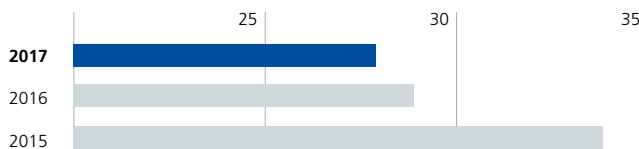
(in liter per ton produced)



Basis: FUCHS production locations.

#### Waste generation

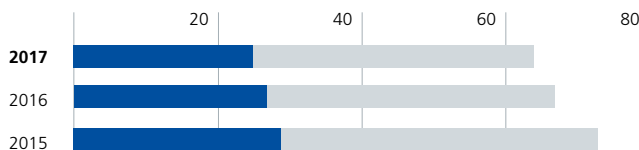
(in kilograms per ton produced)



Basis: FUCHS production locations.

#### CO<sub>2</sub> emissions

(in kilograms per ton produced)



■ Scope 1: direct emissions through own energy generation.

■ Scope 2: indirect emissions through purchased energy.

Basis: FUCHS production locations.

FUCHS develops, produces and sells lubricant products that minimize emissions and environmental impact thanks to their friction reduction and wear and corrosion protection properties, positively contributing to prolonging the service life of machines. Our lubricants thus increase the efficiency of customers' production processes and make a positive contribution to saving on energy use, cutting back greenhouse gas emissions and thereby conserving resources.

FUCHS works with its suppliers and customers to quantify sustainability in its lubricants portfolio. Its aim is to develop a reference enabling it to categorize FUCHS products quantitatively in relation to their sustainability.



### Social sustainability

Social sustainability has an internal and an external component and for FUCHS it means taking responsibility for its employees and for society in equal measure.

#### Internal: Employees

We see our employees as the foundation of our success. FUCHS undertakes to uphold human rights and labor standards and to promote health and safety in the workplace. As part of our sustainable personnel management, we have therefore implemented projects in the fields of health management, continuing professional development and work-life balance.

FUCHS is subject to various national and international regulations on occupational health and safety at its different locations. The applicable occupational health and safety provisions form the minimum standard for our activities. All FUCHS employees have been informed of the laws, regulations and internal occupational health and safety guidelines relevant to them and instructed to comply with them.

Needs-driven continuing professional development is our foundation for developing specialist personnel and employees with high potential. As a global training institution, the FUCHS ACADEMY not only regularly offers seminars on a wide range of technical subjects; it is also a very popular learning platform for junior staff and employees with high potential, which helps to ensure the continuous and targeted further development of FUCHS employees.

We consistently pursue the objective of finding the optimum balance between the business interests of FUCHS and the private and family needs of our employees, and therefore help the latter to combine a career with family. Flexible working time models are an important part of this.

The average age of employees in the reporting year was 43, and this figure has stayed the same since 2010. Accounting for a share of below 30%, the >50 age group of FUCHS employees has a structure that is typical for industrial companies.

The average length of service of approximately 10 years and employee turnover of around 4% are both indicators of employee satisfaction and the high degree of loyalty that our employees have for FUCHS.

Over the past three years, the health rate at the FUCHS Group has remained at 97%.

Women accounted for 25% of the total FUCHS workforce in the reporting year. The share of women in management positions is 22%.

#### Social indicators

	2017 <sup>2</sup>	2016 <sup>1</sup>	2015 <sup>1</sup>	Chemical industry*
Average age of employees in years	43	43	43	43
Age structure of employees in %				
< 30 years	16	14	14	
31 to 40 years	28	29	28	
41 to 50 years	28	28	30	
> 50 years	28	29	28	
Average length of service of employees in years	10	10	11	
Employee fluctuation <sup>3</sup> in %	4,1	3,6	3,6	
Work-related accidents <sup>4</sup> per 1,000 employees	16	13	16	15
Days lost due to sickness per employee	7	7	8	17
Proportion of women in management positions in %	22	20	20	22
<b>Average further training and education per employee in hours</b>	<b>15</b>	<b>17</b>	<b>19</b>	

Basis:

<sup>1</sup> FUCHS production locations (Group representativeness: 90%)/ number of employees not including trainees.

<sup>2</sup> FUCHS Group locations/number of employees including trainees.

<sup>3</sup> Share of employees leaving the company voluntarily.

<sup>4</sup> Number of accidents with an absence of more than three days.

\* Chemical industry figures in Germany (base year: 2016)/Comparability with global FUCHS Group figures is limited

**External: Society**

FUCHS supports social and voluntary work in connection with social responsibility (corporate citizenship – CC) at the Group's headquarters in various ways. These include the FUCHS Sponsorship Award, which has been awarded every year to various social projects in Mannheim since 2000 and had a total prize fund of €50,000 in 2017. Other noteworthy activities include cooperations and partnerships in series of events with chambers of industry and commerce, universities, student and graduate organizations, and schools, all also focusing on boosting sustainability in the Rhine-Neckar Metropolitan Region. We have sponsored the endowed chair of CSR at the University of Mannheim since 2016.

The local FUCHS companies also support academic, cultural and social projects at the company's locations around the world.

Examples of FUCHS' social activities in 2017 across all global regions:

- USA: FUCHS provides funding for the "Toys for Tots Literacy Program", whose mission is to supply books and other learning materials to underprivileged children via donations;
- Mexico: Financial assistance and donations of materials for earthquake victims;
- Germany: Funding for the German Association for Child Protection for the integration of refugee children;
- France: Supporting the organization CESAP, whose mission is to care for children with multiple disabilities;
- South Africa: Employee corporate volunteering project at the "New Jerusalem Children's Home", which provides a home and education for orphaned children;
- India: Sponsorship of the "ISKCON Food Relief Foundation", whose mission is to provide impoverished children in Mumbai with one balanced, healthy and nutritious meal a day;
- Australia: Sponsorship of an annual Christmas party for children in need.

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