



NON-FINANCIAL DECLARATION 2017

FUCHS PETROLUB SE



Audit of annual and consolidated financial statements

For the first time, the Executive Board has submitted a “non-financial declaration” as a separate part of the combined management report for the financial year 2017. The subject of sustainability was discussed intensively by the Audit Committee at its meeting on February 14, 2018, and the Supervisory Board at its meeting on March 20, 2018, in order to obtain an overview of the company-wide sustainability strategy, the concepts being followed and the internal processes and controls. The Supervisory Board questioned the plausibility and usefulness of the “non-financial declaration” in the light of the business model and made suggestions for further development. There are no objections to the reporting of the Executive Board.

2.2 Combined non-financial declaration

This combined non-financial statement meets our reporting obligations under the CSR Directive Implementation Act. The contents of the non-financial statement were examined by the Audit Committee and the Supervisory Board of FUCHS PETROLUB SE. The auditor's opinion on the group management report does not extend to the contents of the non-financial statement. All information in the non-financial statement applies equally for the Group and the parent company unless otherwise indicated.

In order to avoid duplication within the management report, we refer to the relevant sections for further information in other chapters. References to information outside of the combined management report are additional notes and are not part of the non-financial statement.

FUCHS has set up objectives, concepts, measures and due diligence processes for environmental, employee and social concerns in addition to respecting human rights and combating corruption and bribery. The following declaration contains information from FUCHS PETROLUB SE on the non-financial aspects of these concerns.

The company did not use a specific national, European or international framework to prepare this declaration, it is however partially based on the German Sustainability Code (DNK).

FUCHS PETROLUB assumes corporate and social responsibility. This responsibility includes legal and socio-ethical aspects that FUCHS intends to adhere to while operating successfully as a company. At FUCHS PETROLUB we are committed to conducting business fairly and transparently. Our activities are established on the rule of law in all countries in which we operate. Further information can be found in the Business model section.

→ [25 Business model](#)

The FUCHS mission statement with the canon of values: trust, creating value, respect, reliability and integrity form the foundation and benchmark for our responsible conduct. The two core elements mission statement and canon of values enable the organization to act target-oriented within an open corporate culture.

To ensure our future viability, sustainability is firmly established in our values. Taking social and ecological responsibility is part of our corporate self-image. We therefore see the three sustainability dimensions of economy, ecology and society as core elements of good corporate governance. To us, sustainability also means constantly evolving and optimizing. We respect human rights and support the fight against corruption and bribery. Our actions are geared towards our supply chain as a strategically important part of our business relationships.

Within the framework of its existing risk management system, the company analyzes and assesses the material risks entailed by its business activities and business relationships. This includes any severe repercussions on the aspects explained in this declaration. As far as corresponding risks exist, they are presented in our opportunity and risk report. → [49 Opportunity and risk report](#)

The Executive Board specifies the basic principles for sustainable business in the FUCHS Group, which are summarized in the form of a sustainability guideline. The Group's Chief Sustainability Officer (CSO) accompanies the company-wide activities relevant to sustainable business, in particular ecological aspects. We have established a Local Sustainability Officer at every national unit with production operations. These sustainability officers act as the interface for the Chief Sustainability Officer and are available as points of contact in this regard. The Executive Board defines the strategic framework in close cooperation with the CSO. The FUCHS Sustainability Committee ensures information sharing within the Group along the process and value chain. Further information can be found in the Sustainability Report.

→ www.fuchs.com/sustainabilityreport

FUCHS has implemented a compliance management system (CMS) to ensure legally compliant and socially ethical conduct. The foundations of the CMS are firmly set out in the FUCHS Code of Conduct and in other mandatory policies relevant to compliance. The prevention and detection of violations, and responding to these violations, are key components of the CMS. The CMS is presented in the Corporate Governance section.

→ [62 Corporate Governance](#)

Environmental concerns

Sustainable business, which also comprises consideration of the environment and careful use of its natural resources with the aim of guaranteeing living standards for future generations, is a top priority for FUCHS PETROLUB. We particularly pay attention the responsible use of energy, water and raw materials.

→ www.fuchs.com/sustainabilityreport

Employee concerns

Work safety is of great importance to FUCHS. We are subject to various national and international regulations on occupational health and safety at our different locations. The respective 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 are instructed to comply with them. Employees are advised to be constantly mindful of potential hazards in their activities and their working environment, both in their own interests and in the interests of their co-workers.

30% of the production locations were certified according to the OHSAS 18001 Occupational Health and Safety Management System at the end of 2017. Our goal is to double the amount of production locations in the FUCHS Group certified according to OHSAS in the next two years.

To us, a responsible HR policy means equal opportunities and strictly prohibiting discrimination. FUCHS supports the International Labor Organization's Declaration on Fundamental Principles. These include freedom of association, the right to collective bargaining, the elimination of forced and child labor and the prohibition of discrimination in employment and occupation. Within the framework of the respective statutory provisions, FUCHS PETROLUB is committed to upholding the principles of equal opportunities when hiring and promoting employees. Furthermore, we respect employees' rights to equal treatment, regardless of race and nationality, religion and belief, gender and sexual orientation, political or trade union activity, age, illness or disability, or other personal characteristics. Discrimination is not tolerated in the FUCHS Group.

Since its establishment, FUCHS PETROLUB SE has been part of an initiative of German economic leaders that presented a Code of Responsible Conduct for Business under the patronage of the Wittenberg Center for Global Ethics. As a subscriber to the model, the Executive Board is committed to a success-driven and value-oriented system of corporate governance in the sense of the social market economy. This includes fair competition, social partnership, the performance principle and sustainability. Further information can be found in the Employees section. → [28 Employees](#)

Social concerns

Social acceptance is a key requirement for economic success. Many of our companies have deep roots in their regions. We see ourselves as a partner in these regions, and we take part in educational and cultural initiatives and cooperations. We also support a number of social projects and charitable organizations. Further information can be found in the sustainability report.

→ www.fuchs.com/sustainabilityreport

Human rights

FUCHS PETROLUB respects human rights and supports their observance. By signing the Modern Slavery Act Statement in the UK, FUCHS has undertaken steps to prevent the criminal exploitation of human labor worldwide too, for instance in the form of human trafficking, forced and child labor or slavery, beyond its own operations and in its supply chain as well.

Combating corruption and bribery

When in competition with other market participants, FUCHS PETROLUB relies on the quality and intrinsic value of its products and services. Clear and compulsory policies, business processes and internal controls specify how to handle corruption. We have no intention to influence business partners or officials through corruption, and do not intend to be influenced by corruption ourselves. Further information can be found in the Corporate Governance section. → [62 Corporate Governance](#)

Supply chain

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, FUCHS 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 consistent quality.

The procurement of raw materials is organized both centrally and locally. FUCHS manages its strategically most important suppliers with its central lead buyer concept, while the suppliers that are only relevant to the respective local 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 material to rule out single supply scenarios.

Within the scope of central procurement management, FUCHS calls on its suppliers to provide a written confirmation of their commitment to compliance with the corporate ethical requirements and minimum social standards of the FUCHS sustainability guideline or to present their own similar compliance guidelines.

Given the strategic importance of key suppliers to the continuous availability of the necessary raw materials FUCHS actively manages the relationship with the suppliers. The centrally managed FUCHS suppliers are assessed each year on the basis of the five criteria of business relations, pricing, technical aspects, quality, and order and delivery management. Sustainability aspects were added to these criteria in the financial year 2017.

In the event of any deficits in the fulfillment of these criteria, suppliers are issued with specific action plans and implementation deadlines. Further information can be found in the sustainability report. → www.fuchs.com/sustainabilityreport

Ecological sustainability *

FUCHS' sustainability management comprises the three sustainability dimensions economy, ecology and society.

To us, ecological sustainability means measuring and, wherever possible, improving the company's ecological "Footprint", i.e. its impact on the environment and resources used in connection with extracting and sourcing raw materials by our suppliers, processing and blending 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 during the use phase of our lubricant products by reducing friction, wear and corrosion.

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. 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, the goal is to continuously improve the 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 the energy and water consumption, the waste generation during production and the reduction of CO₂ emissions.

One aspect of sustainability management is the certification of our environmental management system in accordance with the relevant ISO standards. As of the end of 2017:

- 60% of production locations are certified according to the ISO 14001 environmental management standard; and
- six production locations in Europe are certified according to the ISO 50001 energy management standard.

The goal is to increase the share of production locations in the FUCHS Group certified according to ISO 14001 to more than 80% in the next two years.

The Alliance for Greater Resource Efficiency awarded the new test facility at FUCHS SCHMIERSTOFFE GMBH's Mannheim location in 2017 for comprehensive energy and CO₂ saving measures. The new building was specifically designed for sustainable future operation, i.e. 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 CO₂ emissions. Its subsequent use as feed water for the cooling tower and adiabatic cooling also reduces the need for treated water.

Extracting and sourcing raw materials

At FUCHS, the majority of greenhouse gases are not produced within the company's own and therefore directly controllable premises, but rather in the upstream supply chain.

Our goal is therefore 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 increase the amount of environmentally friendly raw materials in our own production processes.

For this reason, for the first time in the financial year 2017, the centrally managed FUCHS suppliers were assessed in the annual global supplier evaluation, including the carbon footprint of the raw materials supplied to us, and were asked about possible reduction targets. As a result, this supplier evaluation led to the establishment of sustainable projects based on partnership.

In these projects, FUCHS is working with its suppliers to quantify ecological sustainability in its lubricants portfolio. The aim is to develop a benchmark to classify FUCHS products into categories. The expectation is that switching from a qualitative to a quantitative assessment of environmental sustainability will lead to significant progress in terms of environmental performance, and this categorization will be a future specification for FUCHS lubricants.

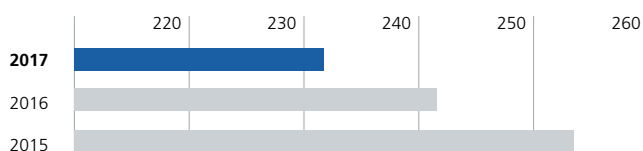
* Not audited by the auditor.

Processing and refinement of the raw materials and the manufacturing of lubricants

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

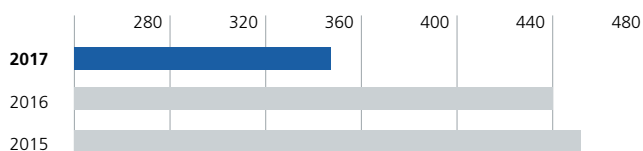
First we intend to gain better ecological understanding of production processes specific to the portfolio and resource consumption at our locations, and to identify possibilities for process optimization and resource efficiency. FUCHS will therefore no longer be setting quantifiable reduction targets for its ecological sustainability indicators. Since 2015 we have continuously reduced energy and water consumption, waste generation and energy consumption related CO₂ emissions per ton of lubricant produced.

Development of energy consumption (in kilowatt hours per ton produced)



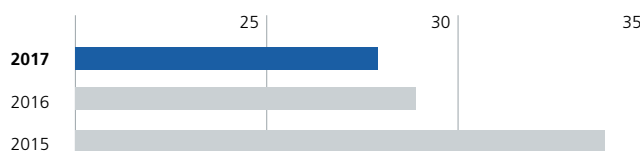
Basis: FUCHS production locations.

Development of water consumption (in liter per ton produced)



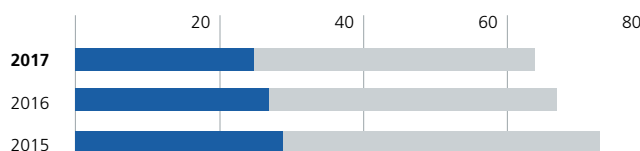
Basis: FUCHS production locations.

Waste generation (in kilograms per ton produced)



Basis: FUCHS production locations.

CO₂ 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.

Operational phase of lubricants

Thanks to their friction reduction, wear and corrosion protection properties, FUCHS lubricants positively contribute to prolonging running times for machines. FUCHS develops, produces and sells a number of lubricant products optimally tailored to the respective application, as well as emission reducing and environmentally friendly products. Compared to conventional alternatives, they also increase the efficiency of customers' production processes and thus make a positive contribution to saving on energy, cutting back greenhouse gas emissions and thereby conserving resources. These effects are measurable using life cycle assessment and, in addition to performance and price, can become an additional differentiating characteristic and thus a competitive advantage for FUCHS.

HIGHLIGHTS



TWO SUSTAINABILITY AWARDS RECEIVED

In 2017, two teams were delighted to be presented with the FUCHS Sustainability Award. The research and development/ PM department of FUCHS SCHMIERSTOFFE GMBH received the award for the development of various “sustainable” industrial oil products. The Spanish/French research and development department took the victory with its project “The Next Serial Tree Planter.”

The internal FUCHS Sustainability Award was introduced in 2016. Its goal is to further embed the issue in the Group. From now on, each of the winning projects will be presented during the annual FUCHS Global Sustainability Meeting.