SUSTAINABILITY REPORT 2014

Thinking ahead, acting responsibly

1913

we make it grow

About us

Klasmann-Deilmann is the leading corporate group in the international substrate industry, with sales and production companies in Europe, Asia and America. All over the world, our growing media provide a vital basis for plant growth, and for the success of our partners and customers who are active in the commercial-horticulture sector. Our most important raw materials include white and black peat that we extract from our own sites, as well as wood fibre and green compost produced and processed in our own facilities.

We are developing a wide range of activities in the field of renewable energy and resources. In so doing, we are placing our confidence in the expertise we have acquired over many decades in managing land on a large scale and in utilising biomass.

Our goal is sustainable growth and lasting success in all of the Group's activities. In this, our employees are a foundational asset, playing a crucial role in moving our organisation forward as we help them to excel.

Our certification to the ISO 9001 and ISO 14001 standards, the verification of our inventory of GHG emissions to the ISO 14064 standard, as well as our RHP and GRI-G4 certification, are among the benchmarks by which we measure our responsibility for people, the environment and subsequent generations. Our environmental-protection measures include the re-wetting of several thousand hectares of former peat extraction areas.

Contents

The main focus of this Sustainability Report is to provide an update regarding the measures set out in the 2013 Report. Please look there for more detailed information on many activities.

1 Statement by the Management Board

G4-1

There have always been companies that have taken their responsibilities seriously and distinguished themselves socially. And outstanding corporate achievements have often been acknowledged by society and government. In 1953, Georg Klasmann was awarded Germany's Federal Cross of Merit. The founder of the present-day Klasmann-Deilmann GmbH, he was honoured for the drainage of peatland and the extraction of peat. With his firm, he took inaccessible peatland of no economic value and turned it into productive land providing many jobs in the Emsland region. At that time, peat production was expressly desired both politically and socially. So the notion of corporate social responsibility (CSR) is not a new one, although it has undergone a profound change in recent years. In Georg Klasmann's day, politically and societally supported peat extraction was seen as economically and socially acceptable – until, in the 1970s, ecological soundness became established as an additional criterion in the assessment of industrial activities. Since then, peat extraction has been regarded as harmful to both environment and climate.

With the term 'sustainability', a catchword was found that took full account of all the challenges of the present and the future, and that placed the economic, ecological and social dimension of business activity on an equal footing. These days, a company that seeks long-term success must be visibly, sincerely and credibly committed to fulfilling its social responsibility. Long before it became a buzzword, Klasmann-Deilmann put sustainability at the heart of its corporate strategy. This is why – especially in recent years – we have communicated our activities fully and transparently. We want the public to be aware of the way in which Klasmann-Deilmann has placed sustainability firmly at the forefront of its entrepreneurial practice.

2014 was an extremely notable year for the Klasmann-Deilmann Group's sustainable development. The publication of a climate footprint by a peat and substrate producer – a world first – met with an encouragingly positive response in the media of relevance to us, and indeed beyond. Our compliance with GRI-G4 guidelines made us into sought-after dialogue partners and advisors, particularly as one medium-sized company to other SMEs in Germany. We are, however, especially pleased about the spirit of optimism within our firm, which chiefly results from our focus on sustainability across all our activities. Yet again, we are seeing our company reveal a key strength: it has always shown forward-looking development in crucial phases of its long history.

By way of following up the publication of our climate footprint, we have initiated far-reaching measures to reduce our emissions. In order that we can draw on even more reliable data as the basis for calculating our emissions in the future, we have commissioned the measurement of CO_2 levels in our extraction areas.

With a view to the public acceptance of growing media, we will considerably expand our research activities. In so doing, we are aiming to develop innovative raw materials and products and, as appropriate, to secure direct access to the resources we need for this. Within only a few years, we want to be living out a culture of innovation that – expressly with sustainable and progressive criteria in mind – consolidates our position as global market leader on a long-term basis.

The food sector is increasingly significant to us in this connection. Our growing media play a major role here, especially in the cultivation of young fruit and vegetable plants. In 2014, this segment accounted for 41% of our product sales, up 3% year-on-year.

In order to reflect our company's success in our corporate structure, we have embarked on a wide-ranging organisational realignment to support our sustained growth. In this regard, with a view to further enhancing our business profile, we will continue to develop the strategy we initially planned with 2020 in mind. Overall, we have achieved our sustainability goals for 2014. From 2015 onwards, we expect important initial outcomes from projects started during the period under review.

We look forward to your feedback and the continuation of our shared dialogue.

Geeste, September 2015
Managing Directors

Moritz Böcking

Norbert Siebels

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Our Sustainability Report 2014 complies with the G4 guidelines of the Global Reporting Initiative (GRI). This means we ensure comparability with the sustainability reports of other firms at international level and generate additional key spheres of activity for our company.

2 Report profile 2014

Defining the report period and the reporting levels

G4-17, G4-18, G4-19, G4-20, G4-21, G4-23, G4-28, G4-29, G4-30

In this, our fourth Sustainability Report, which covers the financial year from 1 January – 31 December 2014, we provide information about our key activities that reflect a corporate policy geared to sustainability. The previous reports were for 2011, 2012 and 2013, with the Sustainability Report 2013 published in July 2014. Further reports will follow on an annual basis.

In particular, we are augmenting our reporting levels to include personnel statistics and energy consumption. This means that, for the first time, our Sustainability Report 2014 is based on a unified pool of data that takes in the entire Klasmann-Deilmann Group – including our lead company, Klasmann-Deilmann GmbH, as well as all our extraction, production and sales companies. The Aspect Boundaries for this Report (in accordance with GRI-G4 19/20/21) were set by our internal 'Sustainability Project Group'.

- We quantify emissions and energy consumption for all Klasmann-Deilmann Group companies.
- The use of renewable and finite resources, as well as the associated impact on biodiversity, is examined in close consultation with the lead company, chiefly by our extraction and production companies.
- The ongoing debate with various stakeholders concerning the controversial horticultural use of peat resources will largely be conducted by the lead company.
- Ensuring health and safety for the benefit of our customers will primarily be the task of our lead company and production companies.

We aim to extend our reporting to further GRI indicators, provided these fulfil the requirement of materiality for Klasmann-Deilmann.

Those involved in preparing the Report

G4-18, G4-24

The contents of the Sustainability Report 2014 have been prepared by our internal Sustainability Project Group, which includes the Management Board and representatives from the following divisions: finance, quality management, environmental and land management, energy management and building management, product development, purchasing and corporate communications. We were advised by triple innova GmbH, a Wuppertal-based firm. The carbon footprint was calculated by MEO Carbon Solutions GmbH of Cologne, and verified by SGS United Kingdom Ltd., Cheshire, UK. The contributions from the various divisions have been integrated into this Sustainability Report.

Stakeholders included in the process

G4-24, G4-25, G4-26

The key stakeholders identified by the Sustainability Project Group are as follows:

- Customers and sales partners in the commercial-horticulture, renewable-energy and renewable-resources sectors, as well as our suppliers and other business partners;
- Employees;
- Shareholders;
- Interest groups at national, European and international level;
- Environmental organisations, especially as our interlocutors in the debate about the future of peat extraction;
- Public authorities and governments as approval bodies for projects, including those of great importance to the future of our company.

This Sustainability Report covers the sustainability issues that are relevant to us. It also addresses our stakeholders' interests that are known to us, and comments on these. A survey of our customers in Germany, held in this connection, focused both the service and product level within one of the most advanced markets in the world, which is crucial to the global development of our company.

For 2015/16, it is planned that the underlying data for our carbon footprint will be considerably improved still further, making use of support from the fields of science and nature conservation.

As a matter of principle, we seek and cultivate direct dialogue with our stakeholders. For example, the Management Board of the Klasmann-Deilmann Group is engaged in ongoing discussions with our shareholders, and meetings are held with the shareholder-appointed Administrative Board several times a year. Our employees are included in a multifaceted process of dialogue by means of performance appraisals, departmental and staff meetings, our employee magazine, strategy newsletters, noticeboards, circular e-mails and other suitable measures; in addition, broadening of scope for communication via the Intranet is in preparation. Relevant personnel at all hierarchical levels maintain close contact with our sales partners, customers, suppliers and other business partners, as well as with authorities and environmental organisations. This takes place via the usual channels, at appropriate intervals – but preferably in face-to-face meetings. In cases of particular importance (as, for instance, in dialogue with representatives at government level), the Management Board of the Klasmann-Deilmann Group becomes involved as well. In the case of certain projects, direct two-way communication also takes place at the level of professional associations. During the reporting period this applied, for example, to the exchange of views between the horticultural-industry association 'Industrieverband Gartenbau' (IVG e. V.), nature conservation organisations and the Lower Saxony state government, as well as the ongoing dialogue between the European Peat and Growing Media Association (EPAGMA) and the responsible EU Commission in Brussels.

Outcome of the materiality process

G4-18, G4-19, G4-27

The sustainability issues most important to us were, in the light of the interests of our company and our stakeholders, identified by what is known as the 'materiality assessment'. All of the outcomes are incorporated into this Report. In particular, these include the following:

- The debate on the appropriateness/advisability of using peat in commercial horticulture, initiated in particular by nature conservation organisations;
- Securing the sourcing of raw materials necessary for substrate production, such as peat, wood and green compost, this being vital both to our internal stakeholders and to our customers in commercial horticulture;
- The relevance of peat extraction sites with regard to climate and nature conservation, which is being discussed by, inter alia, nature conservation organisations, authorities and the Lower Saxony state government;
- The expansion of activities in the field of renewable energy and resources, which is chiefly attributable to an initiative by our shareholders.

The main content of the Report was developed at two externally facilitated workshops held with the Management Board and with others involved from the above-mentioned divisions in 2011. We have, since then, been developing the identified areas further – strategically and in both business and content terms – and will publish key outcomes in the following Sustainability Reports. Reader feedback and new ideas from work with professional associations will also be incorporated into the reporting.

This input in 2014 chiefly consisted of comments on our climate footprint, which is relevant to the debate on emissions from peat extraction sites, as well as queries regarding the selection criteria for extraction areas, which underlined the need for a neutral certification system. We are, therefore, very much taking the process forward in both of these areas (cf. Chapters 3.3 and 4 in the present Report).

Approval of the Report G4-32, G4-33

Our Sustainability Report 2014 was prepared in accordance with the Core option of the G4 Guidelines of the Global Reporting Initiative (GRI). This means that our reporting includes all sustainability aspects identified as material to our business activities.
The GRI Content Index Service confirmed that the GRI Content Index is accurate, and that all included disclosures are labelled correctly in the report itself.

The corporate carbon footprint for 2014 and the relevant calculation tools were audited by SGS to the ISO 14064-1 standard. It was found that the calculation of product carbon footprints on this basis also led to verifiable outcomes. The audit report is included on pages 50 to 53 of this Report. This audit covers the following standard disclosures: GRI-G4-EN15 (Scope 1), GRI-G4-EN16 (Scope 2), GRI-G4-EN17 (Scope 3) and GRI-G4-EN19 (carbon footprint per m^3 of substrate).

Contact for enquiries on the Sustainability Report G4-31

Anyone with questions about the Klasmann-Deilmann Group's Sustainability Report should contact:

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3 The Klasmann-Deilmann Group

3.1 Corporate profile and financial results

The core business areas of the Klasmann-Deilmann Group are the extraction of raw peat materials, the manufacture of wood fibre and green compost, and the development, production and sale of growing media. This includes international logistical and consulting services for our subsidiaries, sales partners and customers, as well as commercial dealings in the substrate sector.

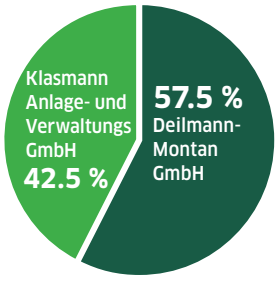
Furthermore, we are – especially in the Baltic countries – active in the field of renewable energy and resources. In so doing, we are placing our confidence in the expertise we have acquired over many decades in managing land on a large scale and in utilising biomass. We are already achieving notable successes, particularly with the creation and management of short-rotation forestry (SRF) plantations on agricultural sites in the Baltic region.

Corporate structure G4-3, G4-5, G4-7, G4-34

All of the corporate group's activities are brought together within Klasmann-Deilmann GmbH, which is the lead company and manages the Group. Klasmann-Deilmann GmbH is based in the German town of Geeste. All production and sales companies are directly linked with corporate headquarters.

Klasmann-Deilmann GmbH's shareholders are Deilmann-Montan GmbH (based in Bad Bentheim), with a stakeholding of 57.5%, and Klasmann Anlage- und Verwaltungs GmbH & Co. KG (based in Meppen), which has a 42.5% interest. The shareholders appoint members to the Administrative Board of Klasmann-Deilmann GmbH, of which Carl-Gerrit Deilmann has been the chair since 2007.

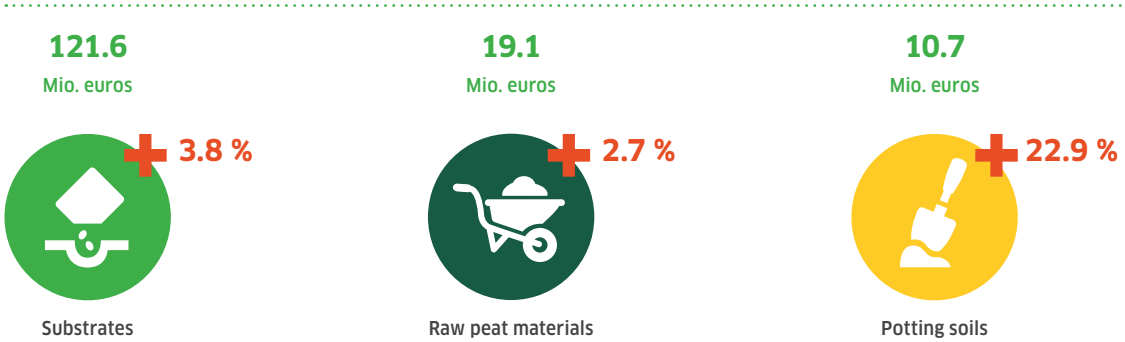
Klasmann-Deilmann GmbH



The managing directors of Klasmann-Deilmann GmbH are Dr Norbert Siebels (since 1990) and Moritz Böcking (since 2011). The Management Board consults with the Administrative Board on key business developments, primarily with regard to their strategic, economic, ecological or social impact. An important internal decision-making body is the Extended Management Board which convenes monthly and to which, alongside the managing directors and authorised signatories, all executives from the central departments at Klasmann-Deilmann GmbH belong.

Financial results for 2014 G4-9

In the 2014 financial year, the Klasmann-Deilmann Group posted sales of EUR 165.0 million (previous year: EUR 160.1 million). The company thus achieved a year-on-year increase in revenue of some EUR 5 million, setting a new record high sales performance. In 2014, as previously, the firm's main source of revenue was its substrate product segment, with sales of EUR 121.6 million (previous year: EUR 117.1 million). This accounts for 73.7% of consolidated sales (previous year: EUR 73.1%). Sales of raw peat materials were EUR 19.1 million (previous year: EUR 18.6 million) and those of potting soils were EUR 10.7 million (previous year: EUR 8.7 million). Both product segments saw growth, with that for potting soils at 23.0%.



The Klasmann-Deilmann Group's end-of-year balance sheet total for 2014 was EUR 159.9 million. Its EUR 11.7 million year-on-year increase was chiefly due to investment in fixed assets (buildings, machinery), the cumulative total of which was some EUR 6.0 million higher than in the previous year. In 2014, the Group's equity capital was up EUR 6.1 million on 2013, from 41.2% to 42.0%.

Further business figures will be regularly published on the website of the German Federal Gazette.

3.2 Growing media for commercial horticulture

G4-PR6, G4-DMA Customer Health and Safety, G4-DMA Marketing Communications, G4-DMA Materials

To make our growing media we use not only peat but also wood fibre, green-waste compost and other raw materials. By 2020, alternative constituents will account for 15% of Klasmann-Deilmann's annual production. Nevertheless, for a period not precisely definable, peat will remain an important ingredient in substrates.

Principle of reliability for resources, production and use G4-14

A substrate's quality is measured by how well it works in nurseries. Modern commercial horticulture demands well-developed, tried-and-tested and highly reliable substrates for trouble-free cultivation. It remains the case that only peat-based growing media can meet these requirements. Peat is a substrate constituent which has the full range of physical, chemical and biological properties needed by plant producers, and which is available long term in the necessary quantities. At the same time, however, the proportion of alternative organic ingredients for growing media is increasing. In many substrate blends, wood fibre, green compost and coco pith are horticulturally valuable and their use is well-established. Being renewable resources, they also help to conserve peatlands and to further improve the carbon footprint for these growing media. In the light of this, we are securing our long-term peat supplies while also applying our high-quality standards as substrate producers to manufacture wood fibre and green compost using our own facilities. This will ensure that these substrate constituents are always available in the required quantity.

Systematic product development

We develop and produce growing media on the basis of our extensive knowledge concerning the product-related, economic, ecological and social aspects of all of our ingredients. The Innovation Management team in our Research and Development department is systematically and consistently working to redraw the boundaries of what is possible and horticulturally

beneficial. In this connection, we conduct research projects jointly with universities, technical colleges, training and research institutes, and suppliers. Furthermore, our technical advisors are in a continuous process of dialogue with our customers. This dialogue with modern commercial horticulture consistently results in innovation. We take on board the ideas and needs of professional growers and, with specific uses in mind, turn them into new products. What's required here, however, is that these advances are achieved with long-term gain in mind, and bring plant producers tangible advantages. Our services also include full analyses of irrigation water and substrate samples taken from the growing site, as well as technical support with cultivation-related problems and making appropriate recommendations.

Quality assurance of our substrate constituents G4-4

The main constituents for the development and production of growing media are white and black peat. To achieve ideal blends for substrates, this peat is in many cases supplemented with additional organic and mineral constituents such as wood fibre, green compost and coco pith. Only raw materials of the highest quality can be utilised for this purpose. The ingredients used are produced to the requirements of the Dutch organisation 'Regeling Handels Potgronden' (RHP), which also monitors them along with their suppliers. We continuously test proven and new constituents as to their suitability for use in substrates, and subject them to growing trials in order to guarantee and further optimise the physical, chemical and biological properties of our products. As well as raw materials certified to RHP, PEFC (Programme for the Endorsement of Forest Certification Schemes) or RAL (German Institute for Quality Assurance and Certification) standards, we are also focusing on in-house solutions for fertiliser formulations, wetting agents and additives.

Extraction sites

– Frozen black peat

– Sod peat
– Milled peat

Peat G4-4

It currently appears that peat will remain the most important ingredient for substrates in the foreseeable future. Securing the sourcing of raw materials is, therefore, a high priority. Klasmann-Deilmann has extensive sites in Germany devoted to the production of frozen black peat. In Lithuania, too, high-quality grades of well-decomposed peat have been available for some years and are increasingly used for substrate production. Extensive resources are available to us in Lithuania, Latvia and Ireland for (sod-cut or milled) white-peat extraction – resources that will ensure supplies to our production facilities for many decades to come. The techniques involved in raw-materials processing are subject to an ongoing process of improvement.

In the Klasmann-Deilmann Group's peat extraction sites, a total of 3.29 million m^3 of raw peat materials was obtained in the 2014 financial year (previous year: 3.68 million m^3). The main cause of this decline compared with the previous season was unfavourable weather conditions during the harvesting months.

89,000
cubic meters

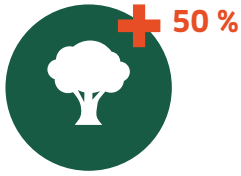
Green compost

Green compost G4-4

Since the early 1990s, Klasmann-Deilmann has run its own green composting facilities in Groß Hesepe and Bohmte – with another plant operating in Dörpen since 2006 – at which green waste is processed into 'TerrAktiv', a high-quality compost for growing media. Our units are the only ones in Germany subject to RHP quality assurance. As green waste is being used more and more by the district authorities as an energy source, its availability is increasingly uncertain. Relatively long-term agreements are being replaced by contracts of shorter duration, and certain grades of green waste are no longer available to us at all. We will do all we can to maintain our green composting activities, especially as our compost is very popular as a substrate constituent with organic horticulturalists.

In the year under review, we produced 89,000 m³ of green compost suitable for substrate use (previous year: 68,000 m³).

99,000
cubic meters



Wood fibre and other wood products

Wood fibre G4-4

We have been using wood fibre as a constituent in substrate production since the 1990s. Following a developmental phase lasting several years, in 2010 we put into operation – in Germany – the first facility for manufacturing our own wood fibre product branded 'Klasmann GreenFibre'. Today, we also have our own wood fibre plants at our production sites in Ireland and the Netherlands.

Klasmann GreenFibre is a high-quality wood fibre that has undergone both thermal and mechanical processing. The main advantages of this raw material derived from sustainable forestry are the increased air capacity and additional optimisation of drainage capacity, as well as the improvement of capillary water distribution in the substrate. Klasmann GreenFibre is certified to RHP and PEFC standards and, for its use in organic substrates, complies with EU Regulation (EC) No. 834/2007 and Annex I to Implementing Regulation (EC) No. 889/2008, inspected by Grünstempel®.

In the 2014 financial year, the total volume of wood fibre and other wood products (e.g. 'TerrAktiv container mulch') that we made increased from 66,000 m³ (2013) to 99,000 m³.

Enhancement of innovative constituents for substrates G4-DMA Materials

'TerrAktiv FT', developed in a joint project with organic-growing organisation Demeter, is an intermediate product made from 'Klasmann GreenFibre fine' and our 'TerrAktiv' green compost. It is made by means of a special, eight-week fermentation process (similar to composting). The combination of light wood fibre and green compost results in a lighter substrate ingredient lower in salts than compost, and in a positive impact on germination performance and plant health in organic substrates.

Our extraction and production sites G4-6, G4-9, G4-13, G4-17

The following subsidiaries extract and process our raw materials:

Companies	Country	White-peat extraction	Black-peat extraction	Green composting	Wood fibre production	Manufacture of growing media	Manufacture of potting soils
Klasmann-Deilmann Produktions-gesellschaft Nord mbH*	D		✓			✓	
Klasmann-Deilmann Produktions-gesellschaft Süd mbH*	D		✓	✓	✓	✓	✓
Schwegermoor GmbH	D	✓		✓		✓	✓
UAB Klasmann-Deilmann Silute	LT	✓	✓			✓	
UAB Klasmann-Deilmann Laukesa	LT	✓					
UAB Klasmann-Deilmann Gedrimai	LT	✓					
UAB Klasmann-Deilmann Ezerelis	LT	✓	✓				
Klasmann-Deilmann Latvia SIA	LV	✓					
Klasmann-Deilmann Ireland Ltd.	IRL	✓			✓	✓	
Klasmann-Deilmann Benelux B.V.**	NL				✓	✓	
Klasmann-Deilmann Belgium N.V.**	B					✓	

* As part of the restructuring of the Klasmann-Deilmann Group, the previous 'south' and 'north' production sites belonging to Klasmann-Deilmann GmbH have been spun off into independent production companies.

** During the further course of the Klasmann-Deilmann Group's restructuring, each of the subsidiaries in Belgium and the Netherlands will be split into one production company and one sales company.

Production of growing media G4-EN1

In the year under review, the Klasmann-Deilmann Group's production of growing media and potting soils increased to 3.324 million m³ (previous year: 3.226 million m³). Of this, production sites in Germany accounted for 1.525 million m³ (previous year: 1.487 million m³). In 2014, we used a total of 3.157 million m³ of raw peat materials (previous year: 3.113 million m³), 74,810 m³ of wood fibre (previous year: 65,479 m³) and 33,077 m³ of green compost (previous year: 31,840 m³) in the production of growing media. Also consumed were 15,762 t of lime (previous year: 17,390 t), 9,775 t of clay (previous year: 6,190 t) and 2,182 m³ of sand (previous year: 2,150 m³), as well as 6,540 t of mineral fertiliser (previous year: 4,949 t; 2013 figure excludes substrate production in Belgium; 2014 figure includes Belgium) and 1,356 t of organic fertiliser (previous year: 1,170 t). A total of 1,240 t (previous year: 1,490 t) of packaging film was used in 2014, as were 556,050 pallets (previous year: 549,780).

3.324

Mio. cubic meters

Growing media and potting soils

Organic substrates G4-4

Our organic substrates conform to the regulations and requirements of the growers' associations in Germany, Austria and Switzerland. Klasmann-Deilmann belongs to 'Ökoring Niedersachsen e.V.' (Lower Saxony's advisory organisation for ecological growers). The entire production process involved in creating compost and organic substrates is monitored by the EU ecological certification organisation 'Grünstempel'. Depending on what our substrates are specifically used for, we achieve peat replacement of up to 50% in organic horticulture by adding TerrAktiv, Klasmann GreenFibre and clay. In this segment, use is made of organic fertiliser such as hoof and horn shavings from BSE-free countries.

Potting soils and garden composts G4-4

In the retail-customer segment, we sell 'Florabella' potting soils and garden composts. The composition of these products is based on the recipes used for Klasmann's substrates. For reasons of both quality and availability, peat will – as with other uses – remain essential as the main constituent for producing potting soils and garden composts although, at the same time, the use of alternative ingredients for substrates is gaining in importance. To complement our 'Florabella organic potting soil' which has a high proportion of green compost and wood fibre from domestic renewable resources, we have developed 'Florabella Potting soil from renewable resources'. This is manufactured solely from the above-mentioned raw materials, making it a completely peat-free product.

Product stewardship

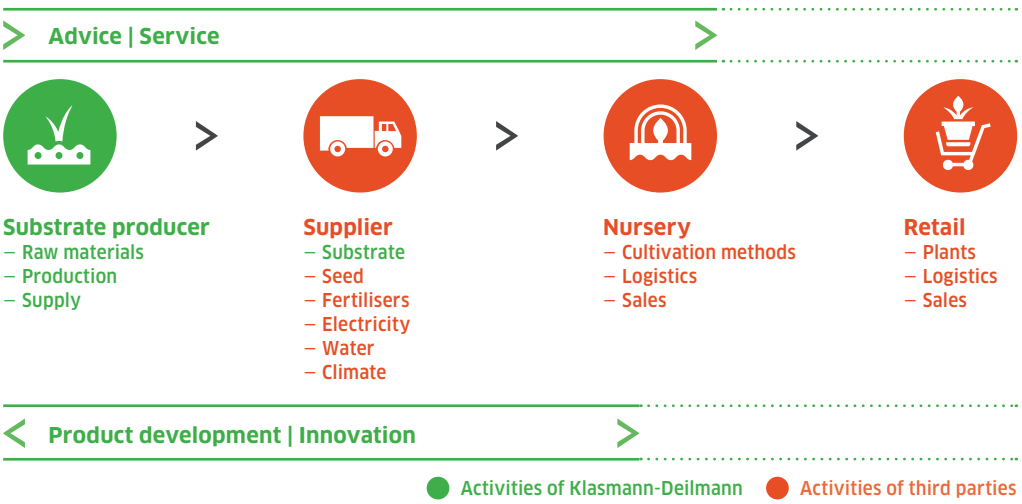
G4- PR1, G4-PR6, G4-DMA Marketing Communications, G4-DMA Customer Health and Safety

All of our products are made to the highest industry-specific standards. One hundred per cent of our products and services undergo inspections customary in the sector with regard to their impact on health and safety in order to determine additional potential for improvement. As well as using our own raw materials, we buy in constituents and additives for substrates, choosing only products that comply with RHP standards. Looked at both qualitatively and quantitatively, peat is an essential raw material in our products; it is, however, also a subject of controversial debate. Coco fibre, another ingredient whose use is questioned because its impact on the environment is not fully understood, has played only a marginal role in our production to date. As we wish, however, to be able to make greater use of it in the future, we are looking into the possibilities of manufacturing it ourselves in line with sustainable criteria.

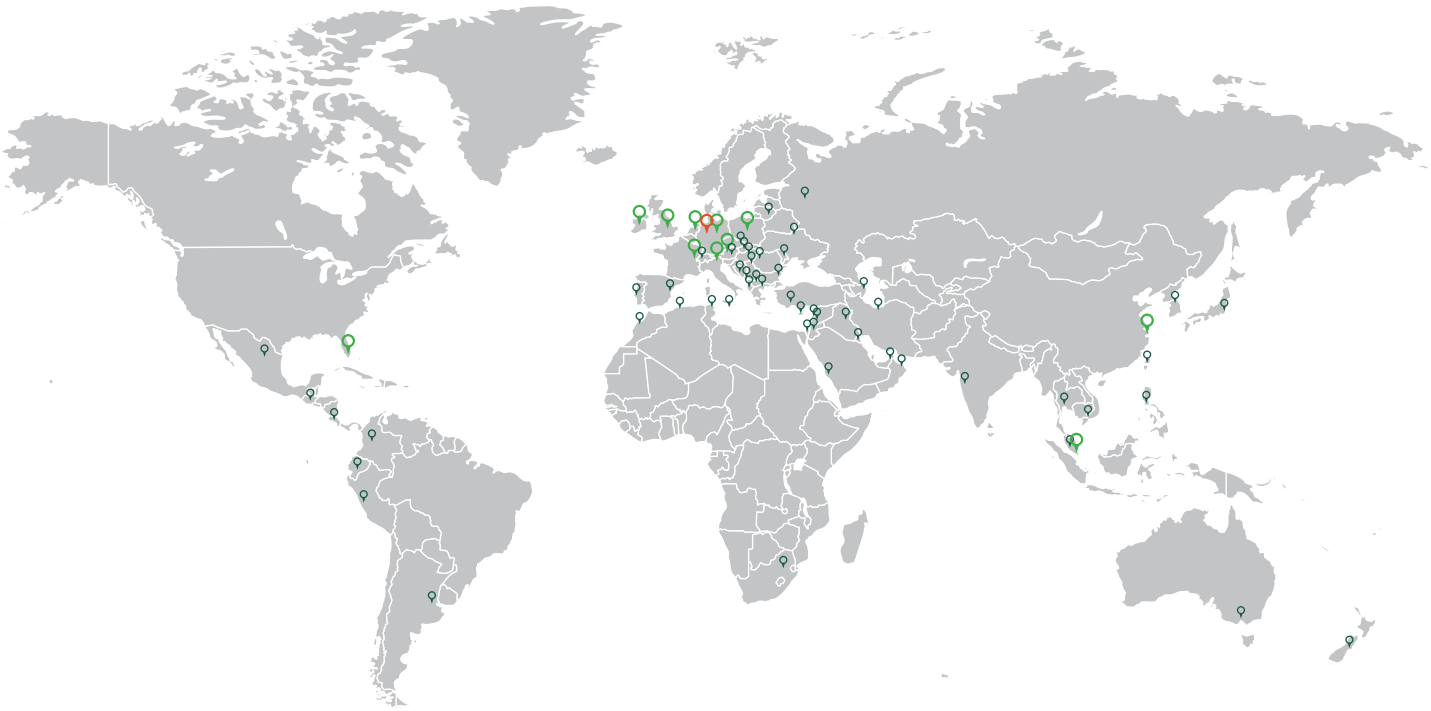
The labelling of our products (and the ingredients we use) on packaging, and their designation on delivery notes, consistently complies with the requirements of the recipient countries. As substrates tend – because of their constituents' properties – to be of high weight, we also offer smaller (and hence lighter) packaging sizes, particularly in the consumer sector. We have also developed two different-sized containers, our 200-litre and 100-litre bales, for commercial horticulture which are much more lightweight than other standard packaging units. Most of these bales are exported to countries in which they are manually transported and handled.

International sales G4-6, G4-8, G4-9, G4-12, G4-13, G4-17

The most important market segment for Klasmann-Deilmann is commercial horticulture, which we supply with ready-to-use growing media. Our end customers are nurseries throughout the world. Additionally, our potting soils and garden composts (which account for only a comparatively small proportion of our total production) are intended for retail consumers. As a supplier, we form an integral part of the materials value chain in commercial horticulture. This incorporates both our knowledge management and our innovation management.



In the 2014 financial year, our growing media were sold in more than 70 countries worldwide. In most of these markets, we supply independent sales partners with which we have long-term agreements and which are exclusively responsible for local distribution. Within the central sales markets, our own subsidiaries are in charge of distribution and providing support to sales partners.



Lead company Sales companies Independent sales companies

Country-specific sales companies:

– Klasmann-Deilmann Deutschland GmbH
– Klasmann-Deilmann Benelux B. V.
– Klasmann-Deilmann France S.A.R.L.
– Klasmann-Deilmann Belgium N. V.
– Klasmann-Deilmann Austria Ges.mbH
– Klasmann-Deilmann Italia S.R.L. and Neuhaus Italia S.R.L.
– Klasmann-Deilmann Polska sp. z o.o.
– Klasmann-Deilmann China Ltd.

Transnational sales companies:

– Western and Eastern Europe: Klasmann-Deilmann GmbH
– North and South Africa: Klasmann-Deilmann France S.A.R.L.
– Asia, Oceania, Middle East: Klasmann-Deilmann Asia Pacific Pte. Ltd.
– North, Central and South America: Klasmann-Deilmann Americas Inc.

In the restructuring of the Klasmann-Deilmann Group, Klasmann-Deilmann Deutschland GmbH was – with effect from 1 January 2015 – merged into the sales company Klasmann-Deilmann Europe GmbH, which is in charge of Europe-wide sales in those countries that do not have their own sales companies. The role assumed by Klasmann-Deilmann GmbH will, therefore, be solely that of lead company within the Group.
– Lead company
– Sales companies
– Independent sales companies

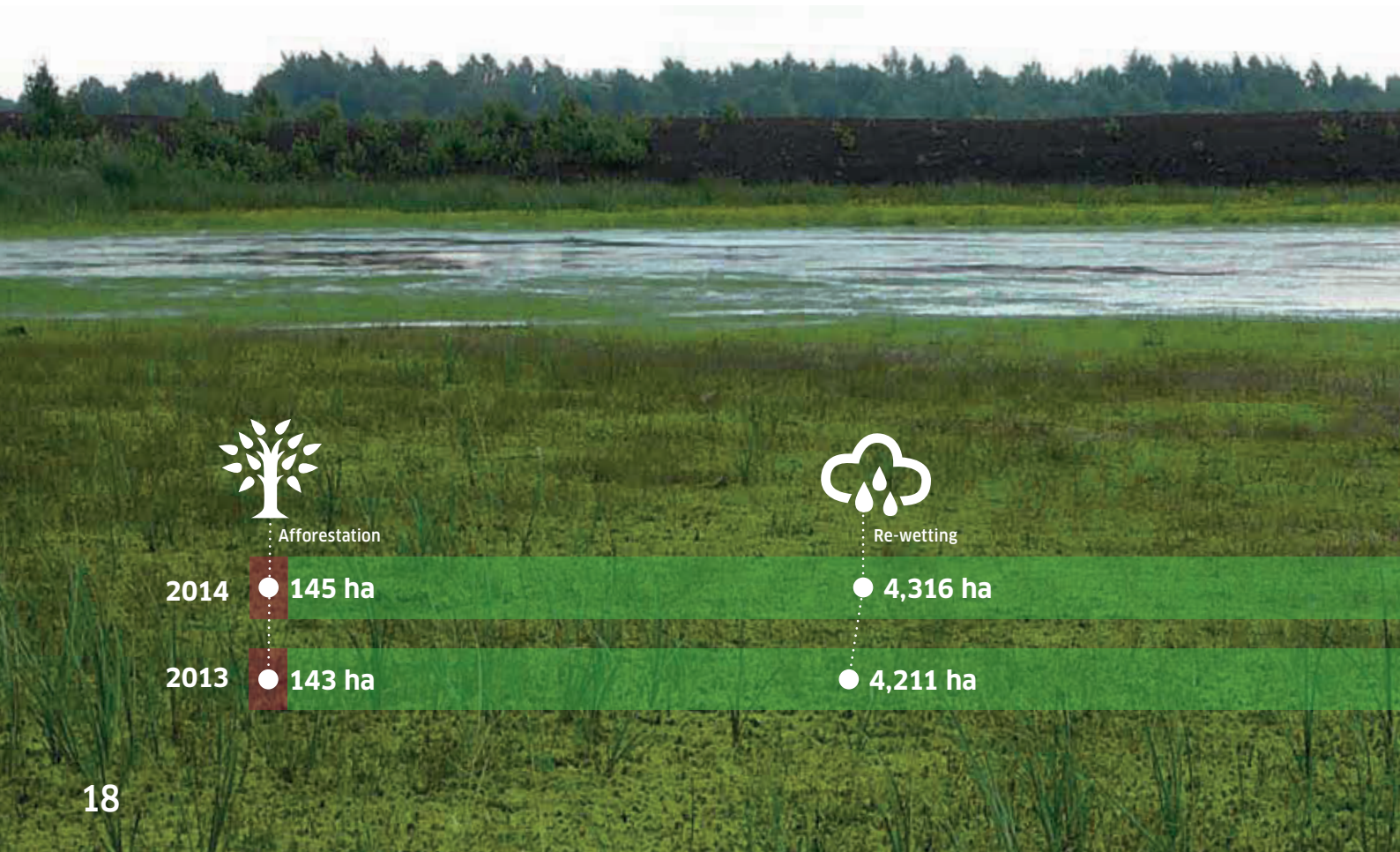
3.3 Responsible extraction of raw materials G4-56, G4-EN13

In extracting raw peat materials, Klasmann-Deilmann exclusively uses already drained or degraded former peatlands. In Germany, intact bogs have been designated protection areas since the 1980s and are left untouched by the peat and substrate industry. Following cessation of raw-material extraction, the sites are restored and permanently available as biotopes for conservation and climate mitigation purposes.

In its management of peatlands, Klasmann-Deilmann has since 2009 – voluntarily – adhered to the applicable Code of Practice of the European Peat and Growing Media Association (EPAGMA). This code of practice specifies rules governing the choice of extraction sites, the method of extraction, and peatland restoration once these activities have ceased. The voluntary commitments include:

- complying with locally applicable legislation;
- the exclusive use of already drained or degraded peatland;
- not disturbing peatlands belonging to the Natura2000 network;
- minimising emissions of dust and noise;
- avoiding soil contamination, and environmentally sound disposal of waste;
- regulating self-heating in storage stacks;
- including local inhabitants in the overall process, and giving stakeholders a means of providing feedback;
- preserving biological diversity and ecosystem functions during after-use once raw-material extraction ceases;
- responsibly managing the extraction sites, including management systems with risk assessment relating to accidents, emissions and health aspects, as well as training on safe working practices.

At international level, our land management and our raw-material extraction comply with the guidelines for Responsible Peatland Management laid down by the International Peat Society (IPS). Klasmann-Deilmann is currently supporting the development of the European certification system, 'Responsibly Produced Peat' (RPP), with which the Code of Practice and Responsible Peatland Management are to be integrated into binding and verifiable criteria for responsible peat extraction. Thirteen companies in the European peat industry – including Klasmann-Deilmann – have applied for (provisional) certification for a total of 32 sites. It is envisaged that the first certificates will be issued in the autumn of 2015.



Measures following cessation of peat extraction in Germany

G4-EN13, G4-DMA Biodiversity

Depending on the extraction technique used, raw-material production on a particular site may continue for several decades. After peat extraction has ceased, sites are covered with residual peat to at least the legally required depth. There are essentially four options for their subsequent use, and which of these is implemented in a given case is stipulated by the relevant authorities in the permit documents prior to commencement of raw-material extraction.

The most important form of after-use in Germany is re-wetting. Its aim is to establish peat moss (Sphagnum) and other typical peatland plants (such as cotton grass). In the re-wetted areas, the presence of standing water will lead to the former hydrological conditions being restored, resulting in bog-like vegetation (i.e. rehabilitation) or even typical bogland vegetation (i.e. regeneration), and they can become CO_2 sinks when the peat body begins to grow again. In this way, a re-wetted area can contribute to the biodiversity typical of peatland – in this case, to the variety of ecosystems present – and again become a characteristic feature of the landscape. Because local geological and hydrological situations differ, not all areas can be returned to nature in this way once peat extraction comes to an end. Instead, some former production areas are partially afforested or prepared for agricultural after-use. In some cases, buffer zones are also established between differently used areas and left to the process of natural succession.

Responsibility for implementing these measures generally rests with Klasmann-Deilmann. Over a several-year period, the effectiveness of the measures carried out is monitored by the relevant authorities and – in line with the voluntary commitment to the code of practice – by Klasmann-Deilmann itself. In certain cases, our peatland restoration projects go beyond the official requirements, a major reason for this being to apply new knowledge of how to return peatlands to nature.

Since 1960, Klasmann-Deilmann has re-wetted, afforested or made available to agriculture a total of 8,059 hectares.

Peatland restoration measures in Ireland and the Baltic states

Initial projects aimed at rehabilitating former extraction sites are also in preparation in Ireland and the Baltic region. Here, we pursue only the effective approaches to peatland restoration that have proven successful in Germany. The extent to which we nevertheless need to adapt to local conditions and legislation locally in force, necessitating our departure from our well-proven practice, remains to be seen. As soon as the projects indicated enter the implementation phase, this will be addressed in the Sustainability Report.

Water management

The manufacture of growing media does not require unusually large quantities of water: its consumption in the context of production is of relatively minor importance in terms of our sustainability-related activities. Nevertheless, our water management practices adhere to the locally applicable legal provisions and are geared towards consuming resources as sparingly as possible and towards environmentally sound use.

However, there is appreciable disturbance of the hydrological balance of a peatland caused by drainage when it is reclaimed for peat extraction. Peat moss can absorb many times its own weight in rainwater. Prior to industrial usage of peatland, water stored was drained away. Klasmann-Deilmann obtains raw peat materials solely from sites drained decades beforehand. During the course of peatland restoration, most of the now-depleted areas are re-wetted. In this way, they progressively recover their water storage function.

3.4 Renewable energy and resources G4-4

Sustainability-related benefits of wood fuels from short-rotation forestry (SRF) plantations derive chiefly from the avoidance of fossil fuels. Especially in the Baltic region, Klasmann-Deilmann has extensive land designated for planting and managing SRF. We intend to become a significant supplier of alternative energy sources in the years ahead.

Renewable and fossil fuels

Of the alternative energy sources that are intended to contribute to a balanced and reliable overall mix of different energies in future years, renewable resources such as wood have become firmly established. Unlike the fossil fuels – petroleum, natural gas and coal – which are finite resources, renewable resources are repeatedly available as they continuously regenerate themselves in specific cycles. Their good climate performance in energy production results:

- from the extent to which they replace fossil fuels;
- from the essentially climate-neutral cycle involving release of CO_2 when used as an energy source and the recapture of carbon through photosynthesis during growth; and
- from the fact that state-of-the-art and energy-efficient technology is used, as for example in cogeneration plants.

Short-rotation forestry plantations

Of increasing importance in this connection are short-rotation forestry (SRF) plantations, in which fast-growing tree species, generally willows or poplars, are cultivated. This involves planting cuttings that are harvested after three to four years and are used to produce both materials and energy. Over a period of at least 20 years, growth and harvest cycles repeat at intervals of three to four years. Compared with other energy crops such as maize, the relationship between inputs and yield is far superior: in terms of energy expenditure from planting up until the time when the biomass becomes available to the heating or power plant, climate performance is much better than that of other energy crops. On the strength of its ecological, economic and social constants, SRF satisfies the criteria for sustainability.

We value and make use of these plantations as a modern and responsible form of land management and means of producing energy sources. Since 2010, we have been carrying out extensive SRF projects, especially in the Baltic region. In the 2014 financial year, too, we purchased additional agricultural land there, so that the year-end total area available for establishing SRF was 2,664 hectares. In the spring of 2014, 507 hectares of land were planted up with willow cuttings. These activities formed part of a long-term planting plan under which an area on a similar scale is to be established between 2015 and 2017. The intention for 2015 is to plant up 500 hectares and to harvest about 10 hectares in spring, with around 430 hectares to be harvested in the winter of 2016. In all likelihood, the increase of the land portfolio to 3,000 hectares in total will be complete after 2015.

Additionally, there are current plans to optimise the layout of the existing sites and to consolidate the land.

In the Baltic region, woodchips were harvested from three-year-old willows at the end of the period under review, and marketed to Lithuanian biomass-fuelled power plants. The first larger-scale harvest is scheduled for 2015; it will draw on the experience gained thus far. Wood from the planted-up areas in Germany was once again used to supply the woodchip heating facility plantations on the premises of the production company Klasmann-Deilmann Produktionsgesellschaft Nord in Sedelsberg.

Our extraction and production sites G4-4, G4-17

In the Baltic region, Lithuanian company UAB Klasmann-Deilmann Bioenergy sells energy from alternative sources. Key raw materials are woodchips from short-rotation forestry (SRF) plantations, and fuel peat. The use of both these energy sources is of great importance to the Baltic states, enabling them to maximise the proportion of domestic resources used in generating heat and power, and in this way to make them independent of gas, oil and coal supplies from abroad.

The following subsidiaries extract and process fuel peat and woodchips:

Companies	Country	Fuel peat extraction	Biomass from SRF plantations
Klasmann-Deilmann Produktionsgesellschaft Süd mbH	D		✓
UAB Klasmann-Deilmann Silute	LT		✓
UAB Klasmann-Deilmann Laukesa	LT	✓	
UAB Klasmann-Deilmann Ezerelis	LT	✓	

4

Klasmann-Deilmann is the first company in the international substrate industry to measure its own climate footprint. In so doing we are taking responsibility for what we, as a firm, can contribute to climate change mitigation. Our goal is to considerably reduce our emissions in the coming years.

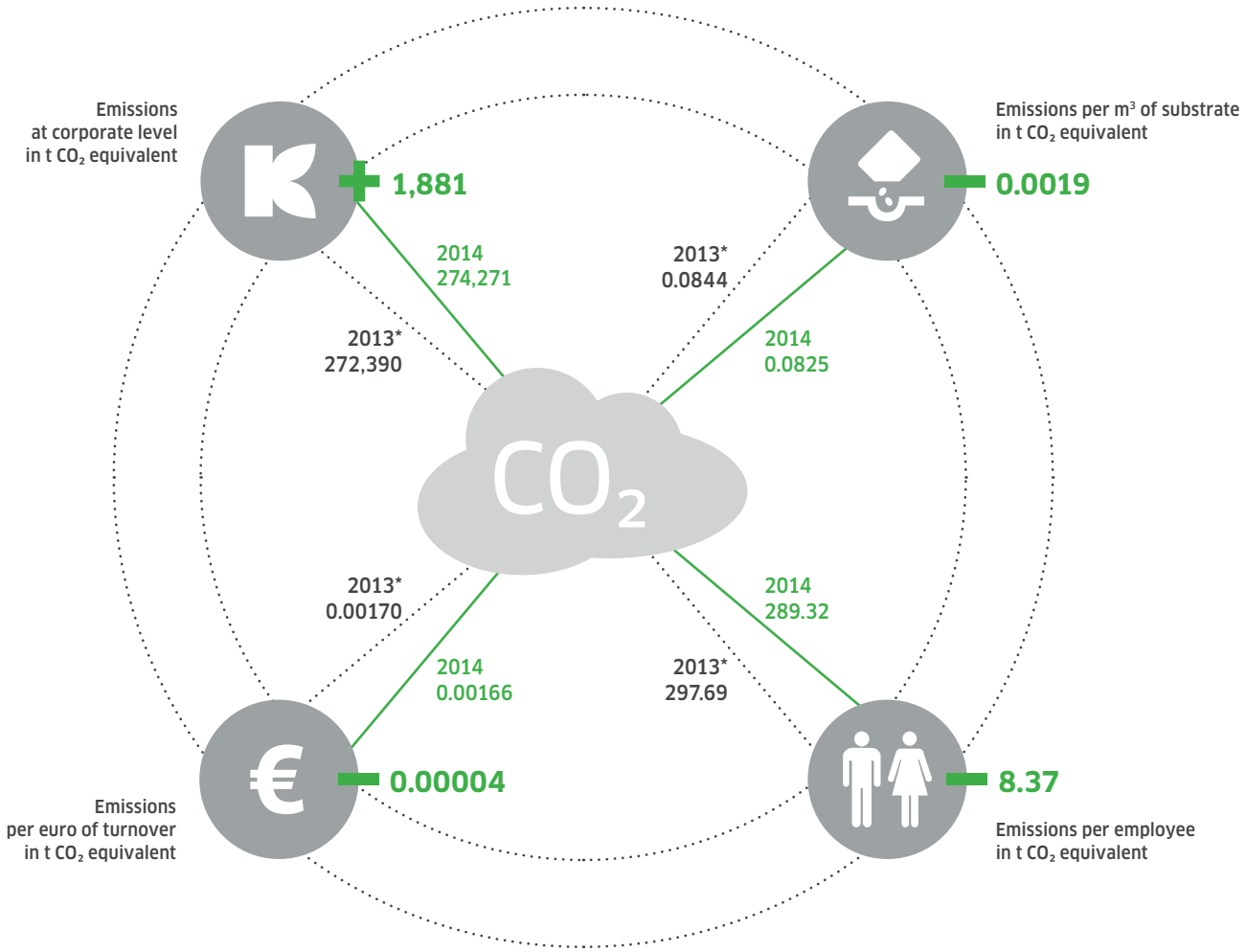
4 Carbon footprint 2014

G4-EN15, G4-EN16, G4-EN17, G4-EN18, G4-EN19, G4-DMA Emissions

Our climate footprint for 2014

On the basis of corporate data for the 2014 financial year, Klasmann-Deilmann – for the second time – commissioned the calculation of a carbon footprint at both company and product levels. It was carried out by Cologne-based MEO Carbon Solutions GmbH. The carbon footprint was audited and verified by SGS United Kingdom Ltd. (Cheshire, UK) with regard to its assumptions, function and internal logic. For further information on how our climate footprint is calculated, see our Sustainability Report 2013, pp. 39–50.

Taking into account all climate-related factors along the value chain 'from raw-material extraction to the factory gate, including transport', our corporate carbon footprint for 2014 reveals emissions of 274,271 t CO_2 equivalent (previous year: 272,390 t CO_2 equivalent). At an annual turnover of EUR 165.0 million and an average headcount of 948, this yielded a figure for the year under review of 1.66 kg of CO_2 per euro of turnover, and 289.32 t of CO_2 for each employee. With the total volume of growing media and raw materials sold standing at 3.32 million m^3, this translates into an average carbon footprint – expressed per cubic metre of substrate, per annum – of 82.52 kg of CO_2 equiv. m^3.

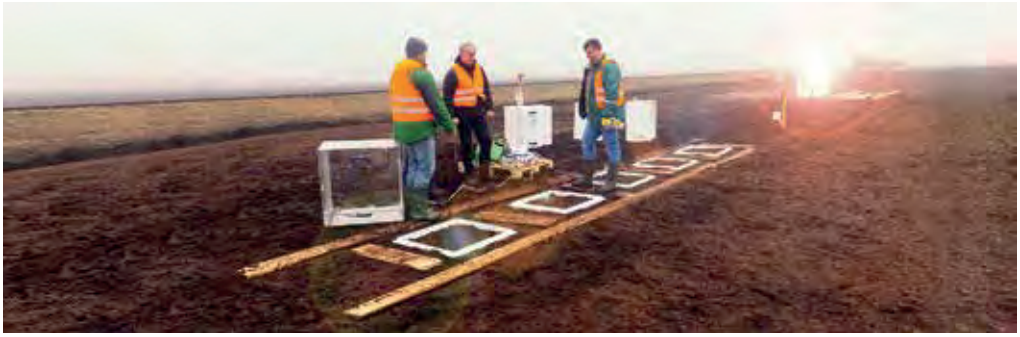


* Figures revised from those in the Sustainability Report 2013

Amendments and corrections to footprinting

In the carbon footprint for 2014, the emissions of our sales companies in Germany, France, the Netherlands, Belgium, Austria, Italy, Poland, Singapore, China and the USA were included for the first time. As the emissions they generated amount only to 260 t CO_2 equivalent, the carbon footprints for 2013 and 2014 are nevertheless comparable given the total emissions. In accordance with the GRI's materiality principle, we have deferred to a later date the calculation and incorporation of emissions from travel in order that we can develop a uniform Group-wide standard.

The carbon footprint for 2013 had to be amended with regard to 'alternative substrate constituents and additives', as certain quantities of raw wood materials for wood fibre production had been counted double. This results in slight changes to the carbon footprint disclosed in the Sustainability Report 2013.



Explanatory notes on the climate footprint for 2014

Extraction sites

The disclosed decrease in emissions compared with the verified 'base year' (2013) results chiefly from the return of land following cessation of extraction and from below-target extraction quantities owing to unfavourable weather conditions..

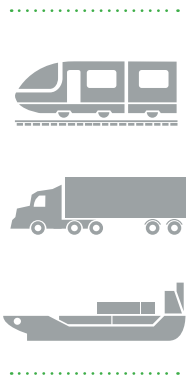
- **Reference scenarios:** The emissions given here were caused during the period prior to peat extraction – by the previous agricultural use of an extraction site, for example. As Klasmann-Deilmann is not responsible for these emissions, they are subtracted from the emissions total for these areas.
- **Peat extraction, intermediate storage:** This line states the emissions from our extraction sites and stacks of peat.
- **After-use scenarios:** This gives the emissions that arise after peat harvesting ceases (in relation to peatland restoration, for instance), before the area begins to store greenhouse gases once more.
- **End use 1/100:** The emissions disclosed here result from degradation of raw peat materials. Peat used as a raw material or substrate progressively releases stored carbon – by means of respiratory processes as it reacts with atmospheric oxygen – into the environment in the form of CO_2. The assessment of peat's climatic impact is based not on how much carbon remains in the substrate, but on the proportion emitted in the form of CO_2. With regard to this, we adopt the usual approach in the standard calculation of carbon footprints, namely to give emission totals in CO_2 equivalents with a global-warming potential (GWP) for the next 100 years (GWP100). In line with the practice of other companies in comparable industries, our corporate carbon footprint includes an aggregate mean value for the year under review, based on the overall GWP100 score (1% of the GWP100). We apply the 'cradle to gate' system boundary, additionally including emissions from transport. Emissions arising during the end use of our products are excluded.
- **Subtotal for emissions in 2014:** This line gives the sum total of all emissions resulting from our extraction areas.

Energy consumption

The year-on-year increase in emissions is due chiefly to higher diesel consumption in raw-materials extraction owing to unfavourable weather conditions. Additionally, all energy consumed by our sales companies is also included for the first time although this, totalling 260 t CO_2 equivalent, is fairly negligible.

- **Extraction sites:** This line refers to the emissions of our lead company and our subsidiaries which own peat extraction operations, and primarily included diesel, power and natural-gas consumption.
- **Other sites:** This gives the total emissions from our production and sales companies which, particularly in the administrative buildings, result from electricity and natural-gas consumption.

Transport



Because production quantities were up year-on-year, emissions from internal transport of raw materials and from the logistics services of external transport providers – who delivered our products to our customers by rail, road and water – also rose.

- **Raw materials, internal:** This line states the emissions resulting from the transport of raw materials within the Klasmann-Deilmann Group.
- **Raw materials and substrates to customers:** These emissions are those originating from transport to the customer worldwide. A detailed breakdown was provided for transport by road, container, water and rail.

Not included here are internal and customer-related empty runs, as the hauliers and transport providers whose services are enlisted are – in accordance with relevant joint agreements – responsible for providing onward and return transport.

External suppliers

The emissions attributable to us arising from the purchase and transport of substrate constituents, as well as from packaging film and pallets, remained roughly unchanged year-on-year.

- **Peat inclusive of transport:** Emissions from the extraction and transport of peat that we do not extract ourselves but buy in from outside, are disclosed here. As we use these raw materials, the emissions are attributed to us.
- **Packaging material:** This line gives the total emissions resulting from the use of packaging film, paper, cardboard and palettes.

Further sources of emissions

Against a background of increasing quantities of green-water compost, wood fibre and SRF plantations produced, and the greater need for additives owing to increased production of growing media, emissions from the following activities rose.

- **Alternative substrate constituents and additives including transport:** The emissions stated in this line result chiefly from the production of our own alternative substrate constituents, 'TerrAktiv' (green compost) and 'Klasmann GreenFibre' (wood fibre). It also includes those emissions generated by our suppliers through the production and transport of additives such as fertiliser and lime. As we buy and use these products, the emissions are attributed to us.
- **Other areas of activity:** The emissions disclosed here are those resulting from the establishment and maintenance of SRF plantations, forest, photovoltaic installations or woodchip heating systems.

Our carbon footprint for 2014 G4-EN18

Emission sources	2014 in t CO_2 equiv.	% of Total footprint	2013 in t CO_2 equiv.	Change 2013/14 as a %
Extraction areas: Reference scenarios	– 134,961	– 49.21	- 148,560	– 9.15
Extraction areas: Peat extraction, interim storage	192,618	70.23	210,972	– 8.70
Extraction areas: After-use scenarios	52,177	19.02	54,424	– 4.13
Extraction areas: End use 1/100	7,767	2.83	8,346	– 6.94
Extraction areas: Subtotal for emissions	= 117,601	42.87	= 125,182	– 6.06
Energy consumption: Extraction areas	20,575	7.50	19,657	+ 4.67
Energy consumption: Other sites	1,832*	0.67	1,414	+ 29.56
Transport: Raw materials, internal	6,518	2.38	5,751	+ 13.34
Transport: Raw materials and substrates to the customer	62,421	22.76	59,690	+ 4.58
External suppliers: Peat inclusive of transport	37,613	13.71	38,021	– 1.07
External suppliers: Packaging materials	4,575	1.67	4,657	– 1.76
Alternative substrate constituents and additives inclusive of transport	22,408	8.17	17,650 **	+ 26.96
Other areas of activities (SRF, forest, photovoltaic installations, woodchip heating)	728	0.27	368	+ 97.83
Carbon footprint of overall company	274,271	100.00	272,390 **	+ 0.69
Total quantity Substrates, raw materials incl. retail (m^3)	3,323,670		3,226,356	
Carbon footprint per m^3 of substrate	82.52 kg CO_2 equiv.		84.43** kg CO_2 equiv.	– 2.26

* Includes energy consumption by all subsidiaries for the first time
** Figure revised from Sustainability Report 2013

In addition to the carbon footprint for 2014, a 'positive' carbon footprint has also been drawn up (i.e. one that includes only carbon-positive measures). It discloses how many emissions from fossil energy sources such as coal, oil and natural gas are avoided by our use of renewable energy, and captured by forest resources. Our activities in the area of renewable energy and resources will, in the future, play an even greater role in offsetting our emissions.

Emissions avoidance	2014 in t CO_2 equiv.	2013 in t CO_2 equiv.	Change 2013/14 as a %
Use and generation of renewable energy and of forest resources	– 11,209	– 10,467	7.09 %

Classification of emissions into scopes G4-EN15, G4-EN16, G4-EN17

The greenhouse gas calculator classifies the emissions into three scopes in conformity with ISO 14064 and the requirements of the Kyoto Protocol.

4.4

Scope 1 includes all emissions which are directly generated from combustion processes in a company's own facilities.

4.4

Scope 2 covers emissions relating to purchased energy, such as electricity or heat.

5.37

Scope 3 refers to emissions from third-party services and purchased preliminary services.

Emission sources by scope	2014 in t CO_2 equiv.	% of Total footprint	2013 in t CO_2 equiv.	Change 2013/14 as a %
Carbon footprint: Scope 1	124,203	45.33	130,025	– 4.48
Carbon footprint: Scope 2	6,046	2.21	5,930	+ 1.96
Carbon footprint: Scope 3	143,761	52.46	136,435	+ 5.37

Figures exclude energy consumption by sales companies

Product carbon footprint

The data from the corporate carbon footprint can be converted to figures for individual products using a recipe database, resulting in a product carbon footprint (PCF). Further information on the calculation of our PCFs can be found in our Sustainability Report 2013, pp. 49–50. The following table gives climate footprints for a few selected examples.

Recipe	Designation	Type	Emissions 2014
413	Klasmann base substrate	White-peat substrate	38.65
002	Klasmann Potgrond P	Black-peat substrate	30.95
062	Klasmann KKS organic tray substrate	Black-peat / white-peat blend with green compost	56.31
080	Klasmann seedling substrate	Black-peat / white-peat blend with coco pith	35.31
698	Klasmann BP substrate	Black-peat / white-peat blend with wood fibre	27.08

Figures in kg CO_2 equiv./m^3 inclusive of transport from Germany to France, excluding end use

CO_2 reduction strategy G4-EN19, G4-DMA Emissions

Based on our carbon footprint, we set ourselves the target of taking action to reduce or offset the emissions caused by our company. Accordingly, we are drawing up a CO_2 reduction strategy.

Among the scenarios for reducing or offsetting emissions that are realistic for Klasmann-Deilmann are measures to either avoid the use of fossil fuels or enable direct carbon capture. These include afforestation, the management of woodland and short-rotation (SRF) plantations, and production of heat energy from corporate-owned SRF plantations. The greater part of the energy generated in this way would not be consumed by Klasmann-Deilmann itself, but fed into the grid and sold. We have therefore decided not to include these positive effects of our CO_2 reduction strategy in our greenhouse gas footprint for the time being, but to publish these effects separately in a footprint including only carbon-positive measures.

Internal transport, as well as that bought in from transport providers, is also a crucial factor for our carbon footprint and harbours fundamental potential for additional emissions avoidance. The weight of our raw materials and growing media is one starting point: the lighter these materials, the greater the volumes that can be carried in each transport unit. We have already launched a number of internal projects aimed at reducing the weight of our raw materials and products.

Furthermore, the use of peat-substitute bulking constituents in our growing media has a positive impact on our carbon footprint at both product and corporate level. We have therefore set ourselves the target of, by 2020, increasing the proportion of alternative constituents to 15% by volume of the annual production total.

From 2015, all of the Klasmann-Deilmann Group companies based in Germany will obtain their electricity from hydropower with a guarantee of origin.

A large part of our emissions originate from extraction sites. We are, therefore, also discussing ways of putting our methods of extracting peat on a more sustainable footing. However, we need to exercise particular caution here, as being reliably supplied with raw materials constitutes the backbone of our core business. We assume that we will, in our Sustainability Report for 2015, be able to report on initial targets for modified extraction techniques.

Moreover, we will review the data drawn from the literature – which form the underliyng basis for our emissions disclosures – in accordance with scientific criteria. In 2015, therefore, we will be conducting a measuring campaign on German and Lithuanian peatland sites. The plan is that, if the project yields reliable results, it will be continued for up to three years. In consequence, the actual measured levels arising from peat extraction may lead to revision of our climate footprint. It is also conceivable that the measured values will be lower than expected, allowing emissions to be revised downwards. A ‘reduction’ of this kind would, then, be a measured, computational effect, not one resulting from emission-reducing measures. In view of this planned action and the open-ended outcome, we have deferred the identification of a specific target on the reduction of greenhouse gases until after the measuring campaign.

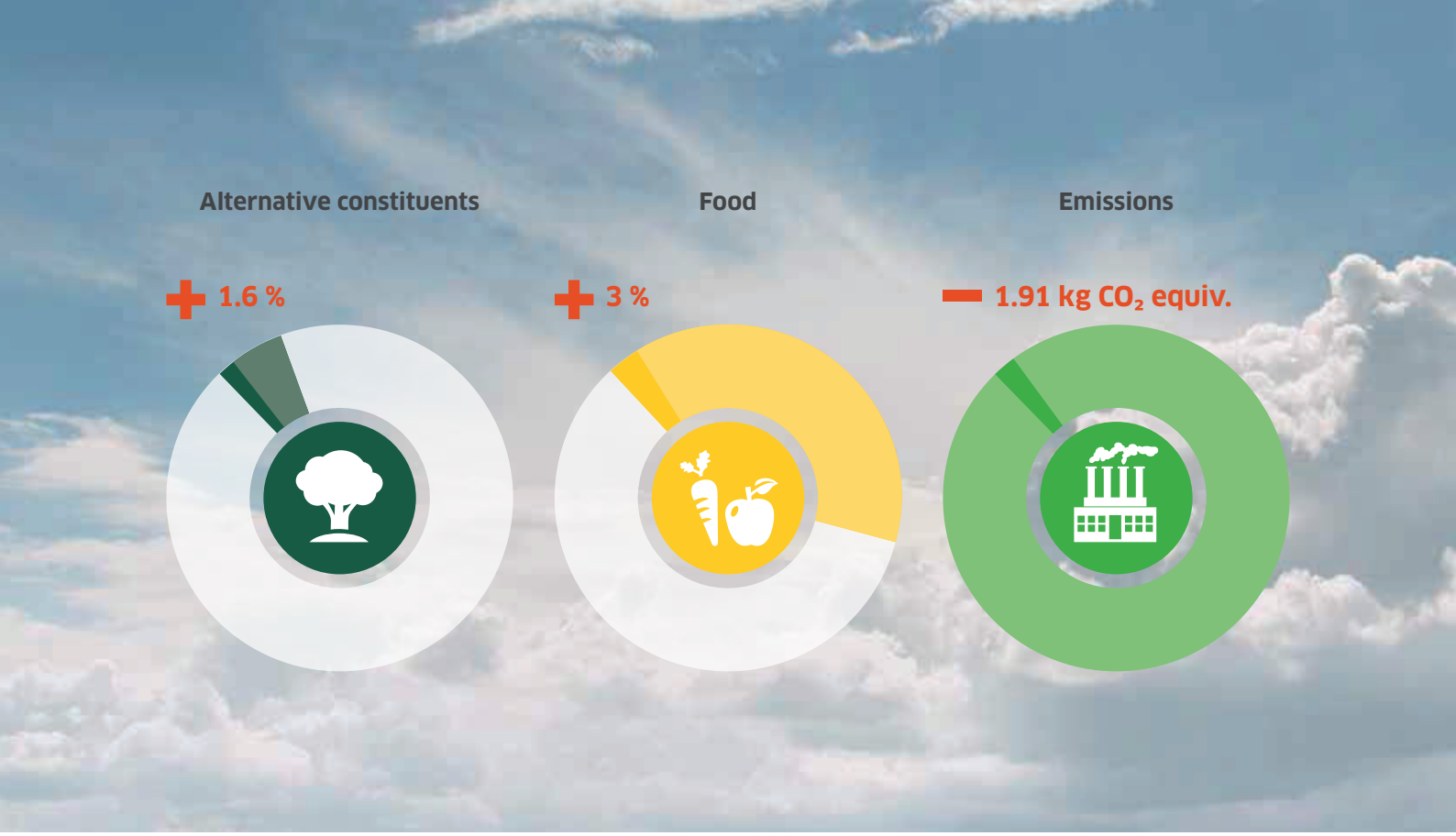
5

As a benchmark for our company's sustainable development, we have devised key performance indicators (KPIs) that reflect our performance in a manner which goes beyond the scope of our financial results and climate footprint. Our goal is the continuous improvement of these annually obtained KPIs. The aim is to generate target values for all these figures (this already having been done in some cases).

5 Key performance indicators for 2014

	2014	2013	Change
Sales revenue in million euros	165.0	160.1	+ 4.9
Balance sheet total in million euros	159.9	148.2	+ 11.7
Equity capital in million euros	67.2	61.1	+ 6.1
Production of growing media and potting soils in m^3	3,323,670	3,226,356	+ 97,314
Extraction of raw peat materials in m^3	3,297,000	3,683,000	– 386,000
Production of wood fibre in m^3	99,000	66,000	+ 33,000
Production of green compost in m^3	89,000	68,000	+ 21,000
Total area of SRF plantations in ha	2,664	2,440	+ 224
Average headcount	948	915	+ 33
Total emissions in t CO_2-eq	274,271*	272,390**	+ 1,881
Emissions per euro of turnover in kg CO_2-eq	1.66	1.70	– 0.04

* Includes energy consumption by all subsidiaries for the first time
** Figure revised from Sustainability Report 2013



Alternative constituents DMA Biodiversity

Our target is that, by 2020, the proportion of alternative constituents in our annual production total will increase to at least 15%. Calculating this percentage involves comparing the used volumes (in m^3) of our wood fibre product 'Klasmann GreenFibre', our green compost 'TerrAktiv', and all other bulking raw materials with the total quantity of growing media (in m^3) produced by the Klasmann-Deilmann Group.

Proportion of total production accounted for by alternative constituents

2014	2013	Change
6.6 %	5.0 %	+ 1.6 %

Food

We wish, in future years, to step up our supplies to the fruit- and vegetable-growing sector. To document our progress here, we compare sales figures achieved for this area with total sales of growing media (in m^3 in both cases).

Sales to food sector as proportion of total sales

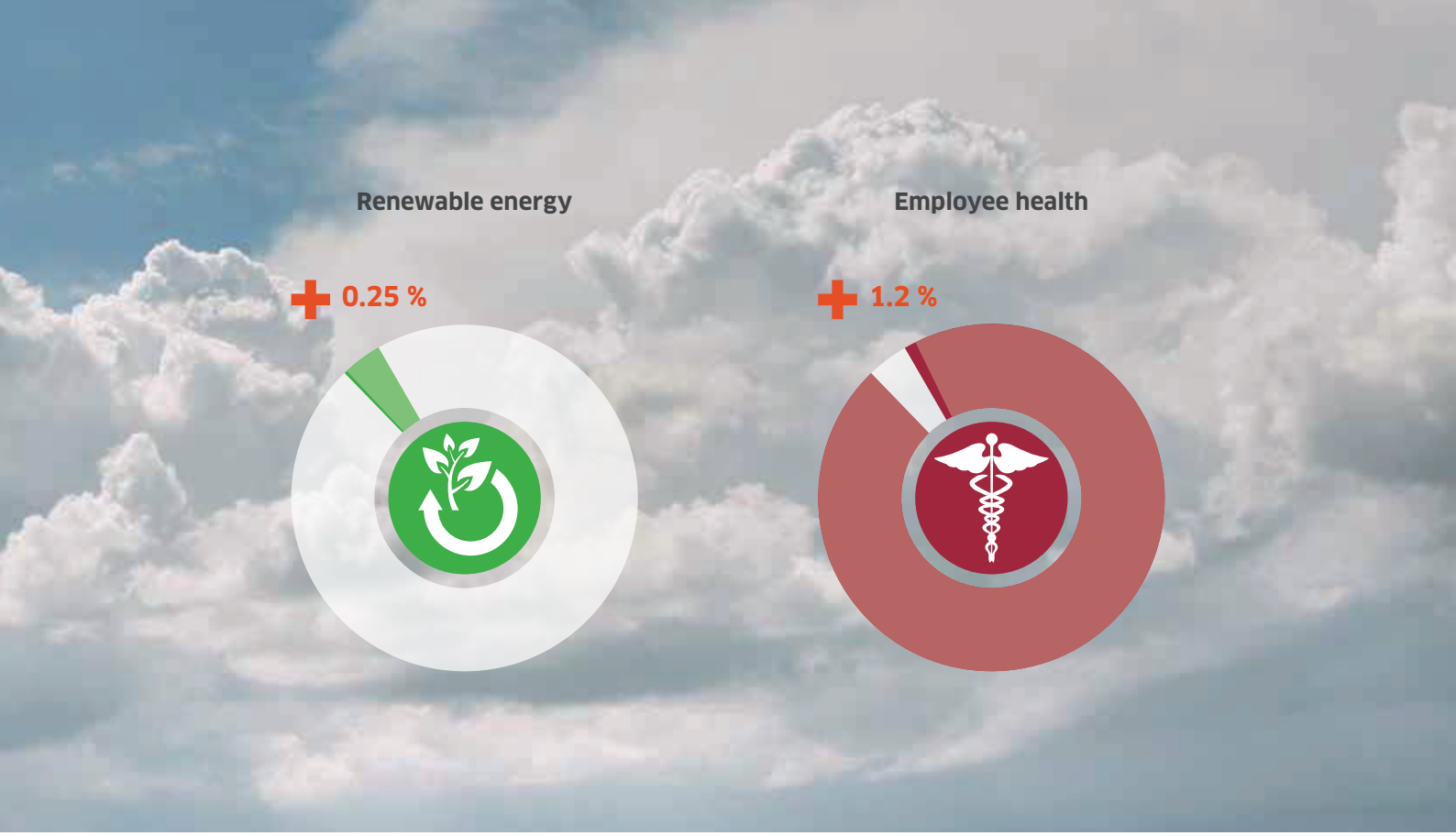
2014	2013	Change
41 %	38 %	+ 3 %

Emissions DMA Emissions

As well as reducing our overall emissions, a further priority for us is optimising emission levels per product unit. We therefore calculate the ratio between our corporate group's total emissions (in t CO_2 equiv.) and our total production volume (in m^3).

CO_2-emissions per product unit in m^3

2014	2013	Change
82.52 kg CO_2 equiv.	84.43 kg CO_2 equiv.	– 1.91 kg CO_2 equiv.



Renewable energy

The Renewable Energy and Resources business unit is to be considerably expanded in the coming years. It will also contribute to emissions avoidance but, under the requirements of the ISO 14064 standard, is disclosed separately from the climate footprint. The figures given here are the ratio between emissions (in t CO_2 equiv.) and emissions avoidance (in t CO_2 equiv.); they underline the increasing importance of energy activities in our company and take account of the emissions-preventing impact of our measures.

Ratio between emission levels and emission avoidance		
2014	2013	Change
4.09 %	3.84 %	+ 0.25 %

Employee health

The following KPI of employee health gives the ratio between the total number of days to be worked by our international workforce and the number of days off sick (including sickness periods of less than and more than six weeks).

Employee health		
2014	2013	Change
96.3 %	95.1 %	+ 1.2 %

6

Our commitment to sustainable corporate governance permeates all of our company's activities. Both the successes we achieve and the setbacks we experience make us all the more determined to continue down the path we have chosen. On the following pages, we report on relevant developments with reference to areas of particular importance.

6 Measures in different areas of activity

6.1 Energy management G4-EN3, G4-EN6, G4-EN19, G4-DMA Energy

With our ISO 14001 certification, we have commited ourselves to continually improving our environmental management system. As energy efficiency is directly linked to environmental protection, we are seeking to continuously reduce our energy needs and thus our CO_2 emissions. To identify potential for energy saving, energy consumption is monitored and evaluated on an ongoing basis. For this purpose, we use the automated recording and processing system that forms part of our energy management scheme. On this basis, we can introduce energy-saving measures with a positive impact on our company's carbon footprint.

Emission source (emissions in t CO_2 equiv. a^{-1})	2014	2013	Change (absolute)	Change (percentage)
Energy consumption for extraction sites, Group-wide (diesel, electricity)	20,575	19,657	+ 918	+ 4.67 %
Internal peat transport, Group-wide (diesel)	6,518	5,751	+ 767	+ 13.34 %
Energy consumption for buildings (electricity, gas)	1,832	1,414	+ 418	+ 29.56 %
Packaging material, Group-wide (foil)	4,575	4,657	– 82	– 1.76 %
Emission source (in MWh)				
Electricity	8,728	8,472	+ 256	+ 3.0 %
Gas	2,976	3,324	– 348	– 10.5 %
Diesel	47,151	43,583	+ 3,568	+ 8.2 %
Emission source (in gigajoules)				
Electricity	31,420.8	30,499.2	+ 921.6	+ 3.0 %
Gas	10,713.6	11,966.4	– 1,252.8	– 10.5 %
Diesel	169,743.6	156,898.8	+ 12,844.8	+ 8.2 %

In-house heating supplied to three production facilities G4-13

In 2013, we put into operation (in Germany) our first woodchip heating facility. With an effective rated output of 440 kW, it is providing all the required heat for the buildings of our production company 'Klasmann-Deilmann Produktionsgesellschaft Nord' at the Sedelsberg site. The fuel used here includes woodchips from our own plantations. By means of our switch to renewable resources and the integrated control of the heating system as a whole, we are achieving energy savings of around 480,000 kWh per annum and a marked improvement in the site's carbon footprint. On the strength of this positive experience, a similar woodchip heating facility was subsequently installed at the Zilaiskalns site in Latvia. In 2014, as much as 145,000 kWh of heating energy was generated from sustainable fuels. At the same time, in connection with the construction of a new administrative and Mechanics' Workshop building for the Lithuanian subsidiary 'Klasmann-Deilmann Laukesa', work began on a third woodchip heating facility; this unit, with a 320 kW boiler, was started up in late 2014. In this way, it was possible to fully substitute the previous consumption of about 270,000 kWh from fossil fuels. In Silute (Lithuania), as well, regenerative energy will account for around 98% of the heat needed for the site as a whole following completion of an additional factory building in 2015. Furthermore, the overall heating requirements of the Klasmann-Deilmann Group are continuing to decrease thanks to constant improvements in heating technology and insulation standards.

	Consumption in MWh		Consumption in GJ		
	2014	2013	2014	2013	%
Total energy consumption	60,616.4	58,494.5	218,219	210,580	+ 3.63
of which from renewable energy produced by Klasmann-Deilmann	798.1	1,105.5	2,873	3,979	- 27.80

Switch to LED lights

48 %

Energy costs for illumination at its Schöninghsdorf factory site

Further measures

In 2014, our production company 'Klasmann-Deilmann Produktionsgesellschaft Süd' converted a great deal of its lighting to LED. This enabled energy costs for illumination at its Schöninghsdorf factory site to be reduced to 48%. Further analysis revealed that similarly large savings can be made at our 'Klasmann-Deilmann Produktionsgesellschaft Nord' production company.

The compressed-air solution already introduced at a number of production sites was also implemented in Schöninghsdorf during the year under review.

In addition, we put selected machinery – including different types of mills for raw-materials processing – through testing with regard to material throughput, product quality and power consumption. The outcome allowed us to optimise these mills' operation, resulting in marked energy savings.

Increase in power and diesel consumption

In 2014, power consumption per produced unit of packaged goods was reduced year-on-year. Savings were also made in connection with goods sold loose. Overall, electricity consumtion rose slightly owing to additional non-production processes.

In the period under review, diesel consumption was up year-on-year. This is due to unfavourable weather conditions during harvesting season, which led to greater consumption by our harvesting machinery.

6.2 Sustainability in procurement practices G4-56

Our 'Sustainability guidelines for suppliers', in force since 2012, augment our selection criteria for our suppliers; they contain requirements for upholding human rights, for employees' working conditions and for environmental standards, as well as a business ethics code.

We require all our suppliers to commit to these guidelines. The standards this document defines, and their adoption, are a prerequisite for all supply agreements with Klasmann-Deilmann. In accepting a contract or order, our supplier undertakes to ensure that all their processes conform to the provisions of these guidelines. We play an active part in achieving a common understanding of social, ethical and ecological standards. As in previous years, 2014 saw numerous conversations with suppliers take place at which our sustainability guidelines were high on the agenda. On this basis, we can confirm that our suppliers conscientiously embrace these standards.

The key points of our sustainability guidelines are:

- prohibition of child labour on the part of our business partners or their suppliers;
- prohibition of forced or compulsory labour;
- prohibition of any form of discrimination;
- freedom of association and the right to conduct collective bargaining – if required under applicable law;
- minimum wage and overtime pay in line with statutory benefits for staff;
- encouraging ongoing improvements and refinements to occupational health and safety arrangements in compliance with national regulations;
- prohibition of bribery, extortion and embezzlement;
- evaluation of suppliers on the basis of their optimisation measures regarding the management of resources, minimisation of ecological damage, adoption of a precautionary approach, and the promotion of environmental responsibility and environmental technologies.

6.3 Certification G4-15

We don't ourselves set the standards we are measured by. Our certification to ISO 9001, ISO 14001 and RHP requirements is among the benchmarks we use to gauge how seriously we take our responsibility for humankind, the environment and future generations.

Comprehensive monitoring of the use of raw materials and of the value chain

Product quality is assessed in a supply chain control process by the Dutch organisation 'Regeling Handels Potgronden' (RHP). The assessment criteria applied here are among the most stringent worldwide. RHP's quality-assurance process includes all raw peat materials, as well as 'TerrAktiv' green compost and the 'Klasmann GreenFibre' wood fibre product. Additionally, the production sites in Germany and the Netherlands are RHP-certified. A large part of the marketed substrates originating from these production facilities are subject to monitoring for compliance with RHP standards.

ISO 9001

After extensive preparatory work, Klasmann-Deilmann GmbH was first certified to the ISO 9001 standard in the 1998 financial year, with the development and implementation of an internal key performance indicator system commencing in 1999. Klasmann-Deilmann has undertaken to continuously monitor and improve all central internal processes, primarily the development and sale of substrates and potting soils including the procurement of constituents and additives, land management of extraction sites for obtaining raw materials, and quality assurance of products sold. This certificate has since been confirmed at each regular audit. The Klasmann-Deilmann quality management system satisfies the latest (2008) version of the ISO 9001 standard.

ISO 14001

Klasmann-Deilmann has been certified to the internationally valid environmental standard ISO 14001 since 2008. The core element of this certification is an environmental policy geared to sustainability, based on ecologically acceptable and controllable environmental-management processes. Klasmann-Deilmann's environmental policy includes an environmental-management system that is implemented at all corporate locations. The responsibility for humankind, the environment and future generations enshrined therein ultimately means harmonising products and production processes with defined environmental targets, taking economic aspects into account and based on the applicable laws and legal regulations. Implementation of the company's environmental policies and the efficacy of the environmental-management system are regularly audited, improved and updated by Klasmann-Deilmann as well as independent institutes.

Reorientation of certification

The restructuring of our management systems is complete. Whereas the 'strategic division' at head office level will remain certified to the ISO 9001 and ISO 14001 standards, the focus for certification of the 'operative divisions' at the level of the extraction and production sites will be on quality assurance in accordance with the RHP product certification scheme (RHP-PCS). Our Quality Management team is currently preparing for when the new versions, ISO 9001:2015 and ISO 14001:2015, enter into force.

6.4 Customer satisfaction survey G4-26

So that we can assess how satisfied horticultural businesses are with our substrates, services and employees, we attach great importance to direct dialogue with our customers and to targeted surveys.

As our experts are regularly on-site, we frequently receive feedback from our international markets and straight from the horse's mouth, so to speak. At corporate headquarters, we can evaluate it and take any necessary steps. This means that we receive criticism and praise very soon after the event and can pass it on to the 'source'. Problems can be solved and things put right without delay. This results in a continuous process of improvement that benefits our customers.

Customer base Germany 2014

Excellent on-site assessment of employees

At irregular intervals, we complement this non-systematic feedback with a 'specific customer satisfaction survey'. In 2011, for example, we surveyed some of our sales partners and our own sales subsidiaries. In 2014, our customer base in Germany received a questionnaire aimed at obtaining a general picture in terms of customer satisfaction. We were delighted at how positive our customer response was. No acute deficiencies emerged. The analysis showed that our employees – especially our specialists paying on-site visits – performed very well. This confirms the assumption that direct dialogue remains of particular importance for our customers in commercial horticulture. The next survey is scheduled for 2016.

6.5 Community commitment and work with professional associations

G4-15, G4-16, G4-25, G4-26, G4-27, G4-56

In this globalised wold, our company is part of a diverse network involving people, professional associations and other organisations, and the worlds of politics, culture and sport, as well as very different interest and needs. We take our social responsibility (which extends beyond our business objectives) seriously, and do what we can to get involved financially, in the realm of ideas and on a voluntary basis – but always with great dedication.

Klasmann-Deilmann GmbH supports a large number of local sports clubs, especially in communities that are home to members of staff. It also sponsors specific charitable and cultural projects.

Every year during the Advent season, a major fundraising effort takes place, with selected clubs, associations and projects in the social, political and economic spheres receiving financial assistance. In 2013, Klasmann-Deilmann agreed on a long-term cooperative arrangement with the environmental foundation 'Plant-for-the-planet'. The company is also a member of organisations whose goal is to respond to the challenges of a society in transition. For example, Klasmann-Deilmann is among the founding members of the Emsland region's 'Work and Family' foundation (www.familienstiftung-emsland.de), which is committed to helping local people combine family and career. Klasmann-Deilmann has an excellent reputation in this regard; among other measures, it offers a great many part-time jobs.

Through membership of central German, European and international associations in the horticultural, peat and growing-media sectors, important lobbying work is also supported financially and, in many cases, with additional help from committed individuals. In Germany, Klasmann-Deilmann – together with other peat-producing companies – belongs to the German horticultural-industry association 'Industrieverband Gartenbau' (IVG e. V.). At the European level, the organisation with which Klasmann-Deilmann is most closely involved is the European Peat and Growing Media Association (EPAGMA). Klasmann-Deilmann currently provides the chair of EPAGMA, one of the five Executive Board members, the chair of the EPAGMA Growing Media Sector Group set up in 2013, and an expert in the EPAGMA Energy from Peat and Peatlands Sector Group. At the German Institute for Standardisation (DIN), a specialist from Klasmann-Deilmann serves as chair of the Working Committee for Soil Improvers and Growing Media, and is the principal delegate for this committee in the organisation 'Comité Européen de Normalisation' (CEN) TC 223. On the international stage, Klasmann-Deilmann belongs to the International Peat Society (IPS). And, as a co-partner of the International Society for Horticultural Science (ISHS), the International Peat Society's (IPS) Commission II (Utilisation of Peat and Peatlands for Horticulture, Energy and Other Purposes) assists the ISHS with organising its biennial symposium on growing media.

Membership of organisations

Among other organisations, Klasmann-Deilmann is a member of the following:

- European Peat and Growing Media Association (EPAGMA);
- International Peat Society (IPS);
- Deutsche Gesellschaft für Moor- und Torfkunde (DGMT; German Peat Society);
- Regeling Handels Potgronden (RHP/ECAS);
- Bundesgütegemeinschaft Kompost e. V. (German Federal Compost Quality Assurance Association);
- Gütegemeinschaft Substrate für Pflanzenbau (GGS; Quality Assurance Association Growing Media for Plant Cultivation);
- Gemüsebauberatungsring Papenburg e. V. (Papenburg Consulting Group for the Vegetable-Growing Industry);
- Ökoring e. V. (Lower Saxony's advisory organisation for ecological growers);
- Industrieverband Garten (IVG; German Garden Industry Association);
- Zentralverband Gartenbau (ZVG, Germany's national horticultural association);
- Bundesverband BioEnergie e. V. (BBE, German association for producers of bio-energy)
- Emsländische Stiftung Beruf und Familie (the Emsland region's 'Work and Family' foundation);
- Global Reporting Initiative (GRI);
- Niedersächsische Allianz für Nachhaltigkeit (Lower Saxony's Alliance for Sustainability).

7

At Klasmann-Deilmann, we attach great importance to having highly qualified and capable employees who play a crucial role in moving our organisation forward. Knowing that our commercial success depends very much on their commitment, motivation and skills, our priorities include individually tailored training and professional development, a corporate culture that encourages innovation, and cultivating a way of relating in which – out of the diversity of opinions and ideas – we pave the best way forward.

7 Employees

G4-56

For the first time, the following remarks refer to all of the Klasmann-Deilmann Group's business locations and hence to all of its employees. It remains the case that personnel management at our German sites is particularly well-developed. Where it is advantageous (in the interests of human-resources development) to transfer to our international locations measures tried and tested in Germany, we will do so, with adjustments to take account of local laws and practices.

Challenges for the future

We want our employees to enjoy working in our company, and our low staff turnover shows that many of them do. A large number of our employees have been with us for several decades. This means that, in the years ahead, a generational shift is coming for numerous positions in our company – a change affecting jobs at different hierarchical levels and in different divisions. At the same time, we are noticing the growing skills shortage that makes it harder for us to fill individual posts intended for highly specialised experts. In the light of this, considerations with regard to employer branding are gaining in importance. Positive developments that have, in past years, primarily strengthened our attractiveness as an employer internally must, in the coming years, also be evident externally. A priority in this connection will be to recruit female executives in greater numbers.

Family-friendly working-time arrangements

We want to continue to provide a set-up that enables our workforce to successfully combine their jobs with other commitments. An important factor here is our family-conscious working conditions. Our company is among the founder members of the 'Work and Family' foundation and has, since 2010, been a certified family-friendly firm (www.familienstiftungemsland.de; in German only). In 2014, this certification was reviewed and then renewed.

A flexitime scheme for working mothers and fathers is, of course, in place at our company. As far as is operationally feasible, there is scope for allocating weekly working hours to suit individual needs and/or reducing them on either a temporary or more permanent basis. Young parents are keen to use the option (available to partners) of taking up to two months' parental leave.

Having more in-depth performance appraisals

Effective cooperation between all employees is the prime factor in achieving ambitious corporate goals, and the basis for this is open communication based on trust. We have, for this reason, initiated performance appraisals for employees at every level. Guidelines have been prepared which are useful for this review, in which the parties establish the priorities themselves. Following on from the highly positive experience gained at our German sites, in 2014 we extended our performance appraisals to our international locations. We place great emphasis on the use of the guidelines to ensure uniform standards that take equal account of the interests of all parties to the interview.

A wide range of training opportunities

A major goal of our human-resources policy is to develop staff to fulfil our future requirements for skilled personnel and managers from within the company. We therefore offer a wealth of training opportunities for both technical and business administration jobs. The following options are available: conventional vocational training, training in conjunction with a university of cooperative education (‘Berufsakademie’), and entry as a graduate on-the-job trainee. We ensure that close guidance is provided within the departments in which training takes place. It is not only high-quality training in the subject matter itself that is important to us, but also personality development.

Workshop for junior staff

In 2014, we held our inaugural ‘Workshop for Junior Staff’ (for the time being, those at our German locations only). More than 20 young employees were invited, joining the Human Resources department and executives to discuss career opportunities with Klasmann-Deilmann.

The aim of this event was to demonstrate the participants' scope for development within our company. Junior staff hope to find interesting work and, perhaps, career advancement. What the employer hopes to find is commitment and fresh impetus from among the ranks of its young employees. The workshop enabled each side to establish closer contact with the other: the pleasant, open working atmosphere was a big factor in fostering better understanding between employer and employee, and provided direction for junior staff concerning their own possibilities within the firm. One initial upshot of the workshop was that special projects were awarded to some of these young people, enabling them to try out their own potential as they tackle a completely new thematic area. In the future, a workshop for junior staff will be held annually at Klasmann-Deilmann, with the participants actively contributing to the event in terms of both content and organisation.

Actively promoting health

Klasmann-Deilmann has a highly proactive health management programme, the aim of which is to maintain, improve or restore the health and well-being of our workforce. Accordingly, health management is an integral part of all operating processes. Central elements are regular preventive health check-ups as well as promoting various measures aimed at improving employees' general health, including free flu vaccinations. Additionally, an internal works agreement enables all employees to exercise in gyms and other fitness facilities, with Klasmann-Deilmann covering a substantial part of the costs. We have adjusted to the fact that our staff will remain in employment for longer than would have been the case a few years ago. To the greatest extent possible, we intend to encourage this trend by creating attractive conditions with regard to working hours, provision of the right equipment and resources and, in particular, health promotion. The mechanisation of work processes in our technical/ industrial operations has reached a high level at all locations, as has the equipping of office workplaces, so that physically demanding work is required only in exceptional cases.

The proportion of time employees are at work and not absent due to illness ('health rate') for all staff of the Klasmann-Deilmann Group – including time off sick greater than six weeks' duration – increased to 96.3% (previous year: 95.1%). Accordingly, the number of paid sick days per employee fell from 12.6 days in 2013 to 9.4 days in 2014.

Sick days per employee

Comprehensive health and safety management

Klasmann-Deilmann maintains a health and safety management system whose goal is the total prevention of accidents by identifying potential workplace hazards in good time and, as far as possible, removing or remedying them. Among the measures to achieve this are regular on-site inspections by in-house and external safety experts, company medical officers and safety officers, as well as meetings of the health and safety committees. To encourage our staff to get involved, Klasmann-Deilmann has, since 2002, held safety competitions, the aim of these annual events being to enhance safety awareness among people working in the company. Efforts that meet the requirements set for this contest, including regular training courses, are rewarded with non-cash prizes.

The number of workplace accidents reported by year's end increased to a total of 31 (previous year: 19). Of these, 16 accidents were notifiable (previous year: eight). In view of this, occupational-safety-related training was further stepped up over the course of 2014.

Headcount up G4-9, G4-10, G4-11

In the year under review, the average number of staff employed within the Klasmann-Deilmann Group stood at 948, as against 915 in the previous year. The proportion of those employed abroad was 61.1% during the reporting year (previous year: 59.5%).

Of those employed in Germany, just over 70% belonged to a trade union. We will, in future years, add equivalent figures for our international sites.

	2014			2013		
	Total	♂	♀	Total	♂	♀
Germany	368	296	72	371	302	69
Netherlands	38	36	2	34	32	2
Belgium	10	8	2	9	7	2
France	21	13	8	19	11	8
Austria	2	1	1	2	1	1
Italy	6	3	3	6	3	3
Poland	9	7	2	9	7	2
Lithuania	306	270	36	295	259	36
Latvia	104	67	37	88	59	29
Ireland	63	59	4	69	66	3
Singapore	10	2	8	9	2	7
China	6	4	2	0	0	0
USA	5	2	3	4	1	3
Total	948	768	180	915	750	165

All figures are average levels for the year in question.

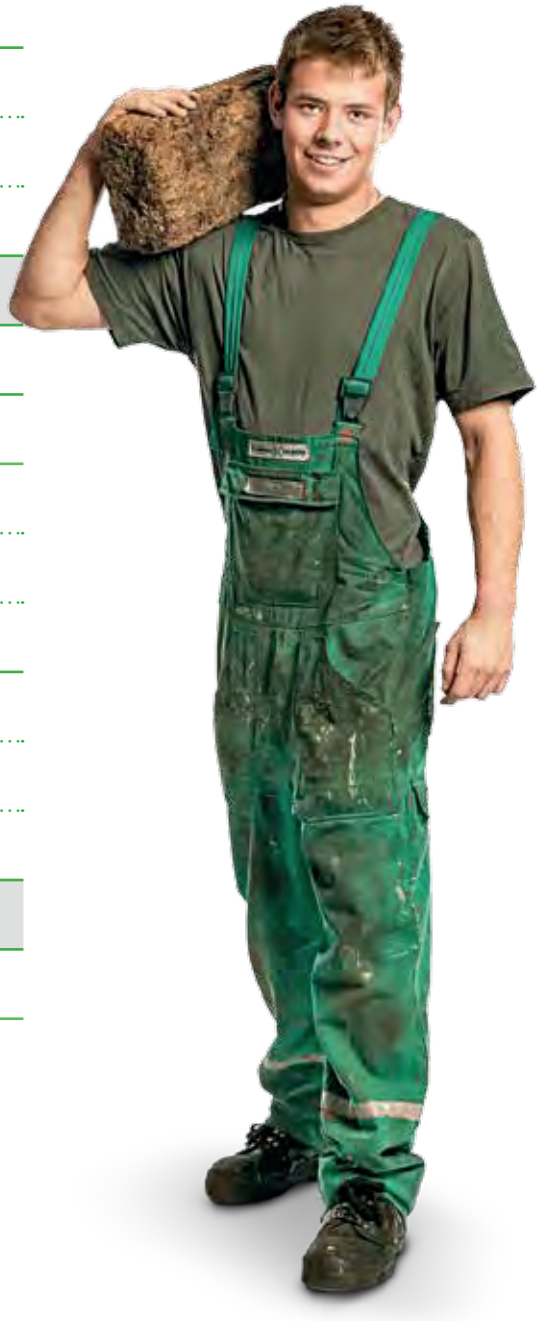
The majority of our activities are carried out by our permanent employees. Additionally, Klasmann-Deilmann employs contract workers at its production sites, especially during the summer months; these may total between 100 and 200 individuals at any given time.

In order that production can cope with the strong, seasonal build-up of delivery orders, intermediate storage facilities have been established in Austria, France, Germany and Hungary, which are not run by employees of the Klasmann-Deilmann Group.

Full-time	2014		2013	
Permanent contracts	♂	♀	♂	♀
Administrators	222	101	208	94
Technical/industrial	454	32	449	27
Fixed-term contracts	♂	♀	♂	♀
Administrators	47	4	56	2
Technical/industrial	40	3	31	1
Total full-time	903		868	

Part-time	2014		2013	
Permanent contracts	♂	♀	♂	♀
Administrators	3	37	3	39
Technical/industrial	2	1	3	1
Fixed-term contracts	♂	♀	♂	♀
Administrators	0	2	0	1
Technical/industrial	0	0	0	0
Total part-time	45		47	
Total headcount	948		915	

All figures are average levels for the year in question.



8 Annex

8.1 GRI Content Index

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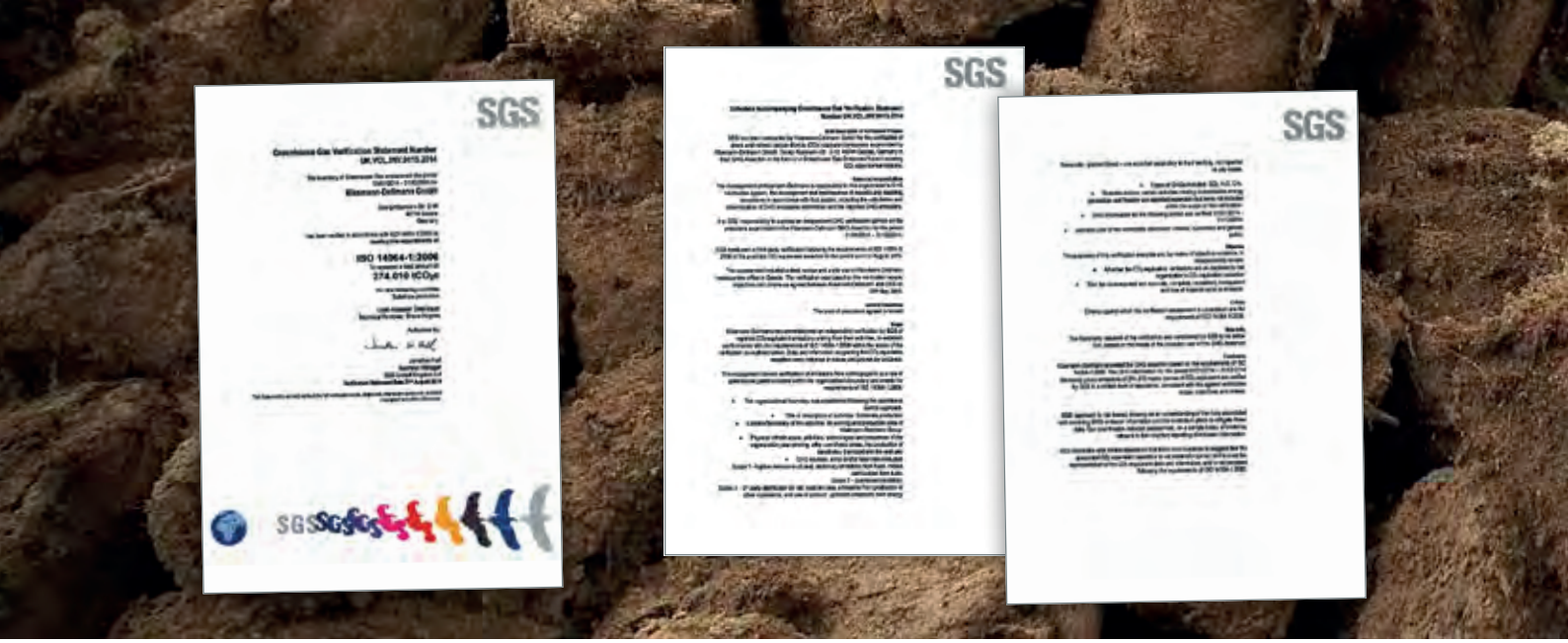


8.2 SGS Verification Statement G4-33, G4-EN15, G4-EN 16, G4-EN 17, G4-EN 19

Corporate Carbon Footprint

Greenhouse Gas Verification Statement Number UK.VOL.INV.0115.2014

The inventory of Greenhouse Gas emissions in the period 01/01/2014 – 31/12/2014 for Klasmann-Deilmann GmbH, Georg-Klasmann-Str. 2 – 10, 49744 Geeste, Germany has been verified in accordance with ISO 14064-3:2006 as meeting the requirements of **ISO 14064-1:2006** to represent a total amount of:
274.010 t CO_2 e for the following activities
Substrate production
Lead Assessor: Dina Bauer | Technical Reviewer: Shane Hughes
Authorised by: Jonathan Hall Business Manager SGS United Kingdom Ltd
Verification Statement Date 21st August 2015

Schedule Accompanying Greenhouse Gas Verification Statement Number UK.VOL.INV.0115.2014

Brief Description of Verification Process
SGS has been contracted by Klasmann-Deilmann GmbH for the verification of direct and indirect carbon dioxide (CO_2) equivalent emissions as provided by Klasmann-Deilmann GmbH, Georg-Klasmann-Str. 2-10, 49744 Geeste, Germany in their GHG Assertion in the form of a Greenhouse Gas Emissions Report covering CO_2 equivalent emissions.

Roles and responsibilities

The management of Klasmann-Deilmann is responsible for the organization's GHG information system, the development and maintenance of records and reporting procedures in accordance with that system, including the calculation and determination of GHG emissions information and the reported GHG emissions. It is SGS' responsibility to express an independent GHG verification opinion on the emissions as provided in the Klasmann-Deilmann GHG Assertion for the period 01/01/2014 – 31/12/2014. SGS conducted a third party verification following the requirements of ISO 14064-3: 2006 of the provided CO_2 equivalent assertion in the period June to August 2015. The assessment included a desk review and a site visit at Klasmann-Deilmann headquarters office in Geeste. The verification was based on the verification scope, objectives and criteria as agreed between Klasmann-Deilmann and SGS on 5th May/2015.

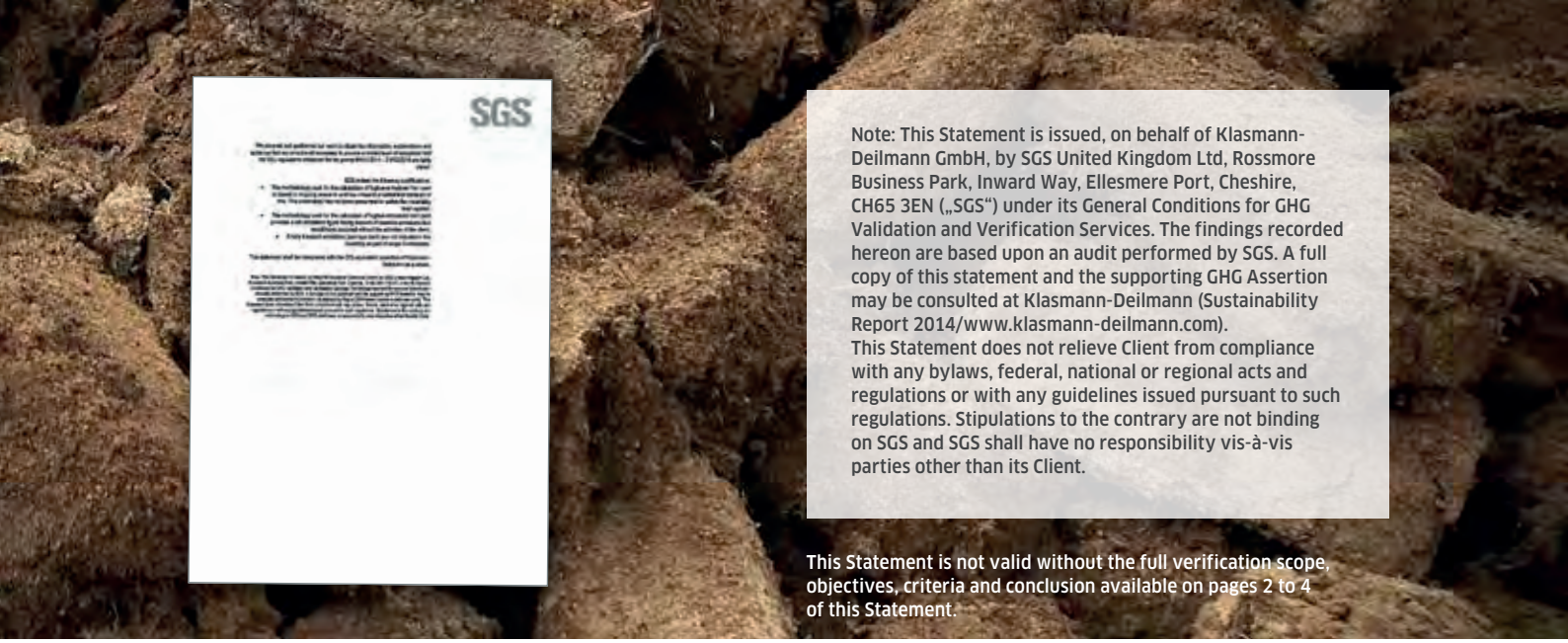
Level of Assurance

The level of assurance agreed is limited.

Scope

Klasmann-Deilmann has commissioned an independent verification by SGS of reported CO_2 equivalent emissions arising from their activities, to establish conformance with the requirements of ISO 14064-1:2006 within the scope of the verification as outlined below. Data and information supporting the CO_2 equivalent assertion were historical in nature and proven by evidence. This engagement covers verification of emissions from anthropogenic sources of greenhouse gases included within the organization's boundary and meets the requirements of ISO 14064-1:2006.

- The organizational boundary was established following the operational control approach.
- Title or description of activities: Substrate production
- Location/boundary of the activities: all winning and production sites of Klasmann-Deilmann Group.
- Physical infrastructure, activities, technologies and processes of the organization peat winning, after use of peat areas, the production of substrates, transport and the end use.
- GHG sources, sinks and/or reservoirs included: Scope 1 - fugitive emissions of peat, stationary



Note: This Statement is issued, on behalf of Klasmann-Deilmann GmbH, by SGS United Kingdom Ltd, Rossmore Business Park, Inward Way, Ellesmere Port, Cheshire, CH65 3EN („SGS") under its General Conditions for GHG Validation and Verification Services. The findings recorded hereon are based upon an audit performed by SGS. A full copy of this statement and the supporting GHG Assertion may be consulted at Klasmann-Deilmann (Sustainability Report 2014/www.klasmann-deilmann.com).
This Statement does not relieve Client from compliance with any bylaws, federal, national or regional acts and regulations or with any guidelines issued pursuant to such regulations. Stipulations to the contrary are not binding on SGS and SGS shall have no responsibility vis-à-vis parties other than its Client.

This Statement is not valid without the full verification scope, objectives, criteria and conclusion available on pages 2 to 4 of this Statement.

emissions from fuels, mobile combustion from fuels | Scope 2 – purchased electricity | Scope 3 – 3rd party distribution by rail, road and sea, emissions from production of other ingredients, end use of product, upstream emissions from energy Removals - planted forest – are reported separately to the inventory, not reported as any scope.
- Types of GHGs included: CO_2, N_2O, CH_4 .
- Directed actions: certain activities relating to renewable energy generation and forestry are reported seperately but were not included within the scope of this verification.
- GHG information for the following period was verified: 01/01/2014 – 31/12/2014.
- Intended user of the verification statement: internal, customers and general public.

Objective

The purposes of this verification exercise are, by review of objective evidence, to independently review:
- Whether the CO_2 equivalent emissions are as declared by the organization's CO_2 equivalent assertion
- That the data reported are accurate, complete, consistent, transparent and free of material error or omission.

Criteria

Criteria against which the verification assessment is undertaken are the requirements of ISO 14064-1:2006.

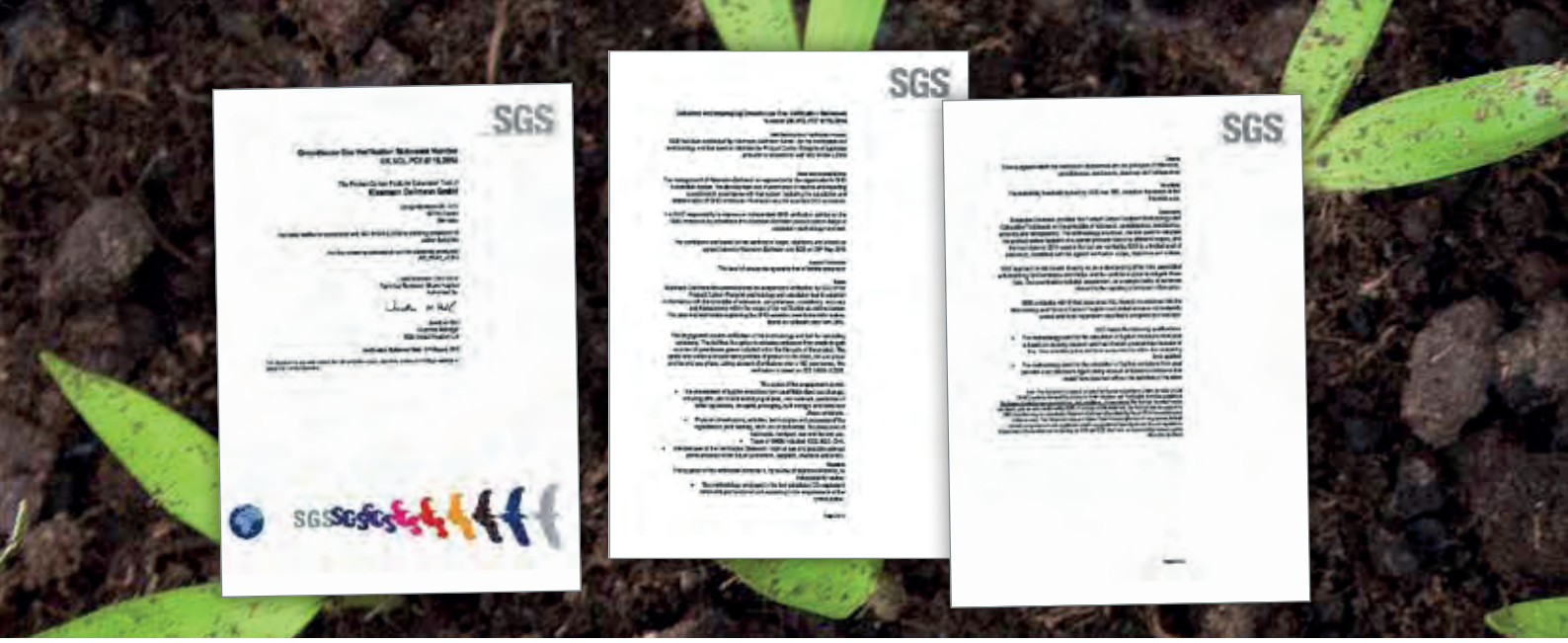
Materiality

The materiality required of the verification was considered by SGS to be below 10%, based on the needs of the intended user of the GHG Assertion.

Conclusion

Klasmann-Deilmann provided the GHG assertion based on the requirements of ISO 14064-1:2006. The GHG information for the period 01/01/2014 – 31/12/2014 disclosing gross emissions of 274.010 metric tonnes of CO_2 equivalent are verified by SGS to a limited level of assurance, consistent with the agreed verification scope, objectives and criteria.
SGS' approach is risk-based, d rawing on an understanding of the risks associated with modeling GHG emission information and the controls in place to mitigate these risks. Our examination included assessment, on a sample basis, of evidence relevant to the voluntary reporting of emission information. SGS concludes with limited assurance that there is no evidence to suggest that the presented CO_2 equivalent assertion is not materially correct and is a not fair representation of the CO_2 equivalent data and information, and is not prepared following the requirements of ISO 14064-1:2006. We planned and performed our work to obtain the information, explanations and evidence that we considered necessary to provide a limited level of assurance that the CO_2 equivalent emissions for the period 01/01/2014 – 31/12/2014 are fairly stated.

SGS makes the following qualifications:
- The methodology used for the calculation of fugitive emissions from peat is based on ongoing research and has inherent uncertainties because of this. This uncertainty has not been accounted for within the materiality level applied.
- The methodology used for the calculation of fugitive emissions from peat provides a net emissions figure taking account of baseline emissions that would have occurred without the activities of the client.
- Empty transport emissions (journeys back) are not included in the inventory as part of scope 3 emissions.
- This statement shall be interpreted with the CO_2 equivalent assertion of Klasmann-Deilmann as a whole.



Product Carbon Footprint

Greenhouse Gas Verification Statement Number UK.VOL.PCF.0115.2014

The Product Carbon Footprint Calculation Tool of
Klasmann Deilmann GmbH, Georg-Klasmann-Str. 2-10, 49744 Geeste, Germany
has been verified in accordance with ISO 14064-3:2006 as enabling calculation of carbon footprints
For the following calculation tool for substrate products **KD_PEAT_v3.0.5**
Lead Assessor: Dina Bauer | Technical Reviewer: Shane Hughes
Authorised by: Jonathan Hall | Business Manager SGS United Kingdom Ltd
Verification Statement Date: 21st August 2015

Schedule Accompanying Greenhouse Gas Verification Statement Number UK.VOL.PCF.0115.2014

Brief Description of Verification Process

SGS has been contracted by Klasmann-Deilmann GmbH, for the verification of a methodology and tool used to calculate the Product Carbon Footprint of substrate products in accordance with ISO 14064-3:2006.

Roles and responsibilities

The management of Klasmann-Deilmann is responsible for the organization's GHG information system, the development and maintenance of records and reporting procedures in accordance with that system, including the calculation and determination of GHG emissions information and the reported GHG emissions. It is SGS' responsibility to express an independent GHG verification opinion on the GHG emissions as provided in the Klasmann-Deilmann product carbon footprint calculation methodology and tool. The verification was based on the verification scope, objectives and criteria as agreed between Klasmann-Deilmann and SGS on 5th May 2015.

Level of Assurance

The level of assurance agreed is that of limited assurance Scope Klasmann-Deilmann has commissioned an independent verification by SGS of the Product Carbon Footprint methodology and calculation tool to establish conformance with the principles of relevance, completeness, consistency, accuracy and transparency within the scope of the verification as outlined below. The data and information supporting the GHG assertion were historical in nature, based on collected data from 2014. This engagement covers verification of the methodology and tool for calculating emissions. The tool has the option to calculate emissions from cradle-to-gate sources of greenhouse gases included within the life cycle of the product. The option also exists to include transportation of product to the client, the use phase and the end use phase, taking account of emissions over a 100 year period. The verification is based on ISO 14064-3:2006.

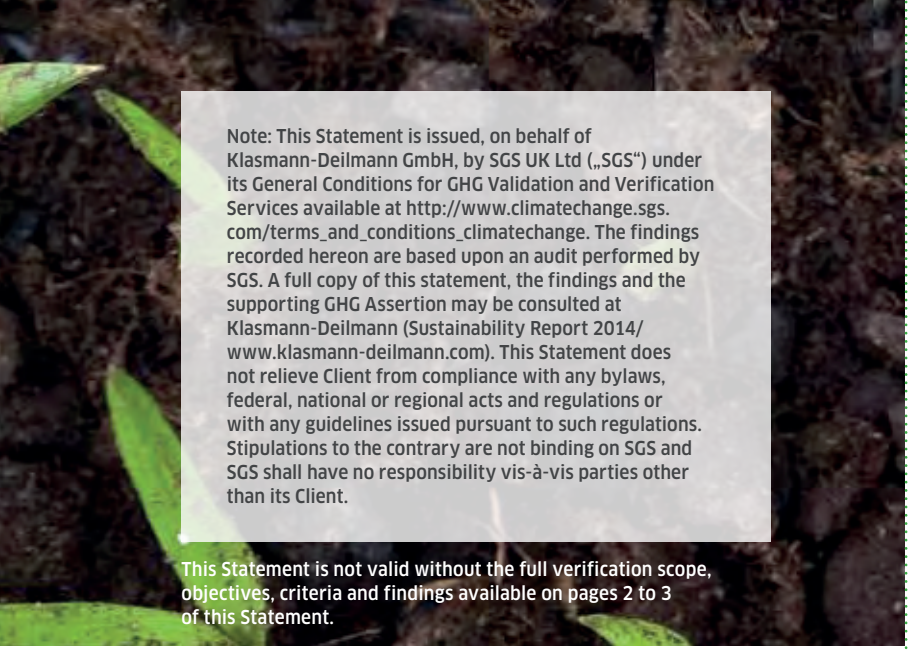
The scope of this engagement covers:

- the assessment of fugitive emissions from peat fields (land use change), including after use of land and drying of peat, raw materials, production of other ingredients, transport, packaging, bulk storage, and consumer phase emissions.
- Physical infrastructure, activities, technologies and processes of the organization: peat winning, after use of peat areas, the production of substrates, transport, use and the end use.
- Types of GHGs included: CO_2, N_2O, CH_4.
- Intended user of the Verification Statement: internal use and possible external communication in the future (customers, suppliers, investors and other).

Objective

The purpose of this verification exercise is, by review of objective evidence, to independently review:

- The methodology employed in the tool calculates CO_2 equivalent emissions per functional unit according to the requirements of the criteria below.



Note: This Statement is issued, on behalf of Klasmann-Deilmann GmbH, by SGS UK Ltd („SGS") under its General Conditions for GHG Validation and Verification Services available at http://www.climatechange.sgs.com/terms_and_conditions_climatechange. The findings recorded hereon are based upon an audit performed by SGS. A full copy of this statement, the findings and the supporting GHG Assertion may be consulted at Klasmann-Deilmann (Sustainability Report 2014/ www.klasmann-deilmann.com). This Statement does not relieve Client from compliance with any bylaws, federal, national or regional acts and regulations or with any guidelines issued pursuant to such regulations. Stipulations to the contrary are not binding on SGS and SGS shall have no responsibility vis-à-vis parties other than its Client.

This Statement is not valid without the full verification scope, objectives, criteria and findings available on pages 2 to 3 of this Statement.

Criteria

Criteria against which the verification assessment are the principles of relevance, completeness, consistency, accuracy and transparency.

Materiality

The materiality threshold applied by SGS was 10%, based on the needs of the intended user.

Conclusion

Klasmann-Deilmann provided the Product Carbon Footprint Methodology and Calculation Tool based on the principles of relevance, completeness, consistency, accuracy and transparency. The methodology employed, the tool used to calculate the product carbon footprint of substrate products based on different recipes, and the input data for 2014 used in the tool are verified by SGS to a limited level of assurance, consistent with the agreed verification scope, objectives and criteria.

- SGS' approach is risk-based, drawing on an understanding of the risks associated with modeling GHG emission information and the controls in place to mitigate these risks. Our examination included assessment, on a sample basis, of evidence relevant to the reporting of emission information.
- SGS concludes with limited assurance that, there is no evidence that the Methodology and Product Carbon Footprint tool stated above is not materially correct and does not present data that is complete and accurate.

SGS makes the following qualifications:

- The methodology used for the calculation of fugitive emissions from peat is based on ongoing research and has inherent uncertainties because of this. This uncertainty has not been accounted for within the materiality level applied.
- The methodology used for the calculation of fugitive emissions from peat provides a net emissions figure taking account of baseline emissions that would have occurred without the activities of the client

8.3 Imprint

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