

2019

# SUSTAINABILITY REPORT

# |1| FOREWORD

Dear Readers,

[102-14]\* at SURTECO, we support the demands from society for sustainable business and the responsibility of industry. This responsibility does not end at our factory gates but encompasses the entire value chain. Our core sectors in particular – the furniture and wood-based industries – are continually working towards proactive improvement of sustainability factors.

We are dedicated to a sustainability culture that is committed to the corporate goal of protecting our environment, social engagement and ethically responsible conduct. Concrete examples of our commitment are the procurement of our raw papers, where we make sure they are manufactured from renewable wood, and our use of water-based impregnation and lacquer systems that are free from hazardous heavy metals and other harmful materials. Moreover, sustainable business is also a top priority in our operating activities. Installation of a new EBC system [Electron Beam Curing] in 2019 rendered obsolete thermal drying in the lacquering facility at one production site and the resulting treatment of exhaust gases.

However, all this does not go far enough. We have decided to proactively restructure the company and position it on new mainstays. Investments in innovative product developments like the increasing trend towards haptic properties for surfaces and digitalization of production play a key role in this transformation. This not only enables us to meet our customers' requirements more successfully. It also allows us to comply with the trend towards declining batch sizes and the increasingly short lifecycles of decors with more efficient production processes that are better at conserving resources.

In the business year 2019, we achieved some important milestones in conjunction with a lot of small improvements. However, we are not going to rest on our achievements. Rather, we will continue our efforts to reduce our use of energy and resources in relation to the production volume. We will continue to address this challenge with our customary passion in future.

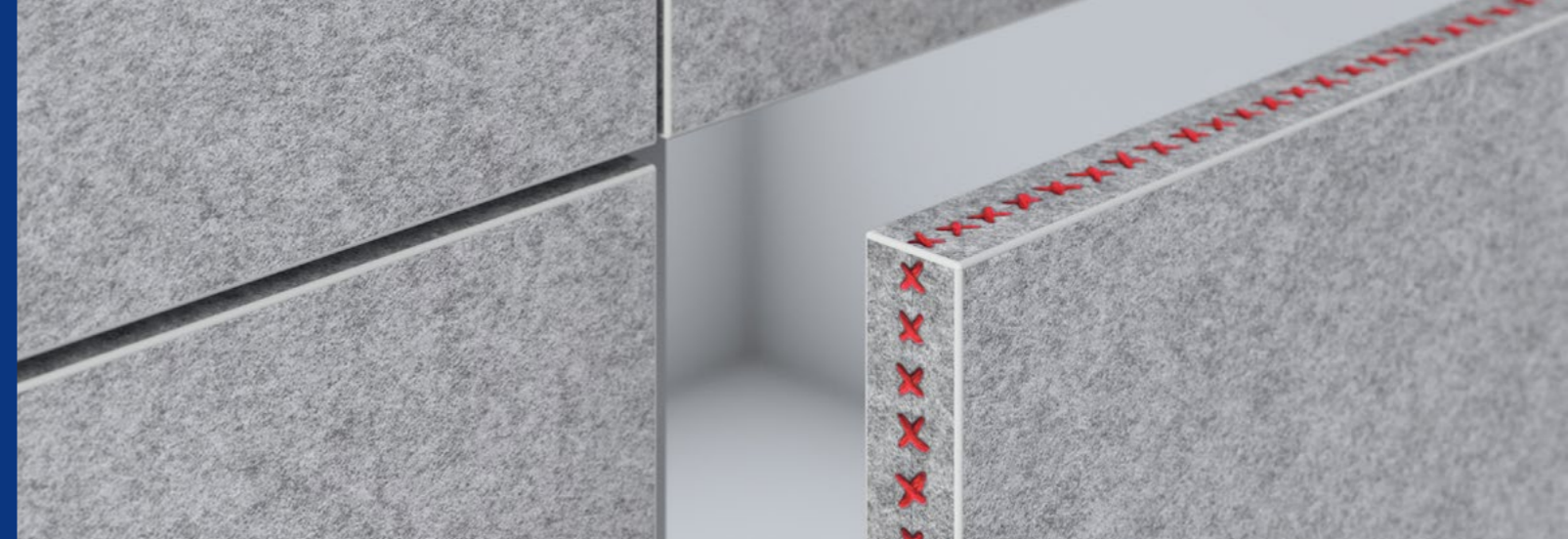


WOLFGANG MOYSES  
CEO, Chairman of the Management Board

\* See reference to GRI Indicators on the last page

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## [2] HIGH-QUALITY PRODUCTS FOR A PLEASANT AMBIENCE

### Better living and more quality of life

[103-2, 102-6] The SURTECO Group (SURface TEchnology COporation) is one of the world's leading manufacturers of surfaces and technical extrusions (profiles). Customers of SURTECO come from the wood-based, flooring, furniture, kitchen, door and caravan industries. Products are also supplied to the cruise-ship industry, artisan craft businesses and the retail trade for private purchasers.

SURTECO offers perfection in design, colour, gloss and haptic touch. On the one hand, this demands a long track record of experience, while on the other hand a rapid response is necessary to incorporate current developments in relation to individual customer requirements. This flexibility is important because SURTECO is in a design-oriented market segment with a high level of qualitative requirements.

Excellent products alone are no guarantee for sustainable economic success. They must be complemented by tailor-made solutions to meet customers' needs and provide a comprehensive service package. SURTECO is therefore bundling its strengths, continuing to perfect its products, optimizing the product portfolio and pooling the sales activities of its Group companies on the basis of a sector-oriented approach.

The requirement for living and office space is increasing with the rising world population and the consequent expansion of purchasing power – and this therefore leads to rising demand for furniture, flooring and interior fittings. This is particularly true for the demographic and economic development in the emerging economies. Furthermore, a global trend towards urbanization and individualization is generating an accelerated demand for attractive interior design and fittings.

Against this background, SURTECO is able to satisfy virtually all the requirements of manufacturers for decorative and functional surface materials with a high level of market penetration. At the same time, the global presence and the comprehensive product range make the Group less susceptible to sales volatility in individual countries and sectors.



## Diversity for individual aspirations

[102-15] SURTECO has a unique selling point in the sector with a large number of products. SURTECO offers customers a broad product range from a “One Stop Shop”. This precludes the need to carry out time-consuming research for the appropriate products from different manufacturers. Additionally, there is also a virtually unlimited number of product variants in relation to value, design, dimensions, decor and colour for any application.

The production and sales concept is aligned with this strategy of a broadly-based product range and multifaceted features in tandem with efficient manufacture. SURTECO manufactures products at locations in its most important sales countries and organizes sales for worldwide supply either as direct sales from Germany or through the Group’s own sales locations abroad. It also has a dense network of external dealers and agents on all continents of the world. SURTECO is also increasingly using e-commerce as a supplementary sales channel.

A broad product range with international individualization is the prerequisite for the success of the SURTECO business model. And SURTECO has a global network: with 22 production locations and 16 additional sales locations in Europe, Asia, Australia, North and South America. The regional diversification of production companies permits fast delivery for the individual target markets. The large number of sales locations provides direct feedback on local customer requirements and design aspirations. This can then be channelled into production without any delay.

## Professional and private applications

[102-2] SURTECO produces a wide range of products for domestic use, and for the trade and public sectors. These include skirtings for professional floorlayers and do-it-yourself markets, release papers, finish foils on paper and plastic substrates, impregnated products for melamine surfaces, technical extrusions (profiles), decorative printing, roller-shutter systems for furniture, edgebandings based on paper and plastic, and fully-wrapped LED tapes. SURTECO products are used in virtually all areas of daily life. For example, they are used on furniture, floors and doors in homes, in mobile homes and on cruise ships.

The products manufactured by the group of companies are primarily processed by the international flooring, wood-based and furniture industries. They are also refined by cabinetmakers and artisan craft workshops. This involves coatings being provided for wood-based materials such as chipboard and fibreboard. These boards receive their final surface with appropriate optical, haptic and functional attributes.

SURTECO offers effective complementary products for the flooring sector with skirtings for professional floorlayers and trades involved in interior design. Technical extrusions (profiles) made of plastic for all industrial areas and roller-shutter systems for furniture also form part of the product range. Home-improvement and do-it-yourself stores are also customers of SURTECO.







## |3| INNOVATIONS FOR MORE SUSTAINABILITY

The development of innovations and making them ready for market is a continuous, comprehensive and therefore resource-intensive process. Yet there are no effective alternatives. This is because innovations are a prerequisite for satisfactory sales in the future, for attractive margins, for sustainable differentiation of manufacturers in the relevant markets – and most importantly also for achieving environmental sustainability. For these reasons, SURTECO therefore places great value on its innovative strength in products, solutions and processes, not least in order to be in a position to meet the needs of its customers in full and provide value for money.

### More safety with the new stair edging system

The new stair edging profiles provide reliable protection for stair edges subject to heavy wear and tear. The completely revised system features a streamlined, elegant design and is supplied in a range of different colours, including metallic trend colours.

You can also light up the darkness with the new fluorescent stair-edging lighting. It provides protection against falling in the darkness, is anti-slip and highly resilient.

The models are suitable for various flooring joints and the company manufactures the edgings to lengths specified by customers. The systems are very easy to lay and naturally they are free from any harmful plasticisers in accordance with the REACH Regulation. This means they are not a health risk and they can be used in sensitive settings or living areas without any health concerns.

## Healthy indoor climate with antibacterial skirting

The latest technical procedures enable us to offer the perfect complement to anti-bacterial floorcoverings – the antibacterial skirting for all facilities or living areas with a particularly high level of hygienic requirements.

Especially in hospitals, care homes, nurseries and public spaces where people are the focus, the issue of hygiene and health is particularly important. The special composition of the material for our antibacterial skirtings reduces the growth of harmful bacteria on the surface by more than 99%. This provides us with a healthy living climate. Our skirtings have been tested in conformity with the STANDARD ISO22196:2011 and they have been awarded the Biomaster seal of approval so that we are in conformity with premium specifications.

Treatment with Biomaster silver additives provides our antibacterial skirtings with permanent protection against a large number of microbes that can cause food poisoning (e.g. by salmonella bacteria) and against antibiotic-resistant bacteria such as MRSA and VRE. Special surface properties restrict bacteria from spreading further and reproducing. This prevents them from being transferred to people through contact with surfaces, tools and equipment. Although disinfectants can immediately remove bacteria, this effect is only temporary since contamination can occur again just a few hours later. Thanks to the new antibacterial skirtings, bacterial growth can also be reduced between cleans.



## Release papers for sophisticated visual appeal and haptic touch

From supermatt to high-gloss designs, from subtle to embossed textures – release papers from SURTECO provide surfaces with the final visual appeal and haptic touch. In order to be able to guarantee a perfect surface finish, we use solvent-free monomers and oligomers that we combine to form polymers using electron-beam curing technology (EBC) for coating our release papers. This process creates a strong and resilient surface. Depending on the desired effect, we work with lacquered, satinized papers or with a foil substrate so that our release papers can be used to create a gloss or textured surface. The products are free from toxic heavy metals and have no chromium or chlorine content.

The Tecotop with universal use offers a special application. It combines an ultramatt finish with a silky-soft haptic touch and anti-fingerprint properties, while also providing unique ultramatt textures. In addition, the acrylic coating is transferred to precondensed melamine films under conditions of elevated pressure and temperature. This creates an especially authentic effect for dark colours in particular. Tecotop is a solvent-free coating based on beam-curing polymers and is free of nanoparticles.



## GREENGUARD-GOLD Certification for all Döllken edgings

GREENGUARD certification is a standard recognized throughout the world for identification of low-emission products with the objective of improving the quality of ambient air. All Döllken edgings are certified in accordance with the highest "GREENGUARD GOLD" standard, i.e. they have been accredited even for use in sensitive areas such as nurseries, schools and healthcare institutions.



## Conservation of resources by „Closed-Loop-Recycling“

Plastic edging production in Germany has a target of zero-waste manufacture. Conserving resources is a top priority. All residual production materials created in the course of manufacturing plastic edgings (plastics and printing inks) are separated into categories and collected, reprocessed internally as far as possible and used as recycled materials within the company. The selective use of secondary raw materials closes the material cycle, conserves resources and minimizes the volume of waste.



## Environmental footprints for products based on Life Cycle Assessment (LCA) in accordance with ISO 14040

We draw up comprehensive environmental footprints for our products and this enables us to obtain reliable data on all local, regional and global environmental impacts. This allows us to continually optimize Döllken edgings, evaluate new materials, reduce emissions and conserve natural resources. Sustainable innovations are produced such as ABS edgings, which significantly cut down the volume of CO2 emissions, and save energy and fresh water through the use of recyclates.



## Solvent-free, water-based printing inks and primer systems

Water-based printing inks and primer systems are mainly used in the manufacture of Döllken edgings. As one of the first manufacturers worldwide, we ceased to use compounds containing chlorine and halogen in all ink and primer systems from 2004 onwards.



## |4| COMPREHENSIVE PROGRAMME FOR ANY APPLICATION

[102-2] **Edgebandings** based on plastic and paper are the product with the highest sales at SURTECO. Plastic edgebandings are manufactured from the plastics ABS, PMMA, PP or PVC in a wide range of different dimensions and strengths to meet specific needs. Melamine edgebandings are created on the basis of printed lightfast specialist papers.

**Finish foils** made of plastic or paper are ideal for all areas of application. The paper-based foils provide innovative design and a natural haptic feel to create appealing furniture surfaces with outstanding technical properties. SURTECO has plastic foils in its product range for particularly appealing furniture surfaces, for further refinement into long-life carpets and for many industrial applications.

**Decor papers** are used to provide materials with decor elements in order to refine wood-based materials, for the furniture and flooring industry, and in interior design. The development of creative wood, stone and fantasy decors is carried out in cooperation with the Group's own design studios.

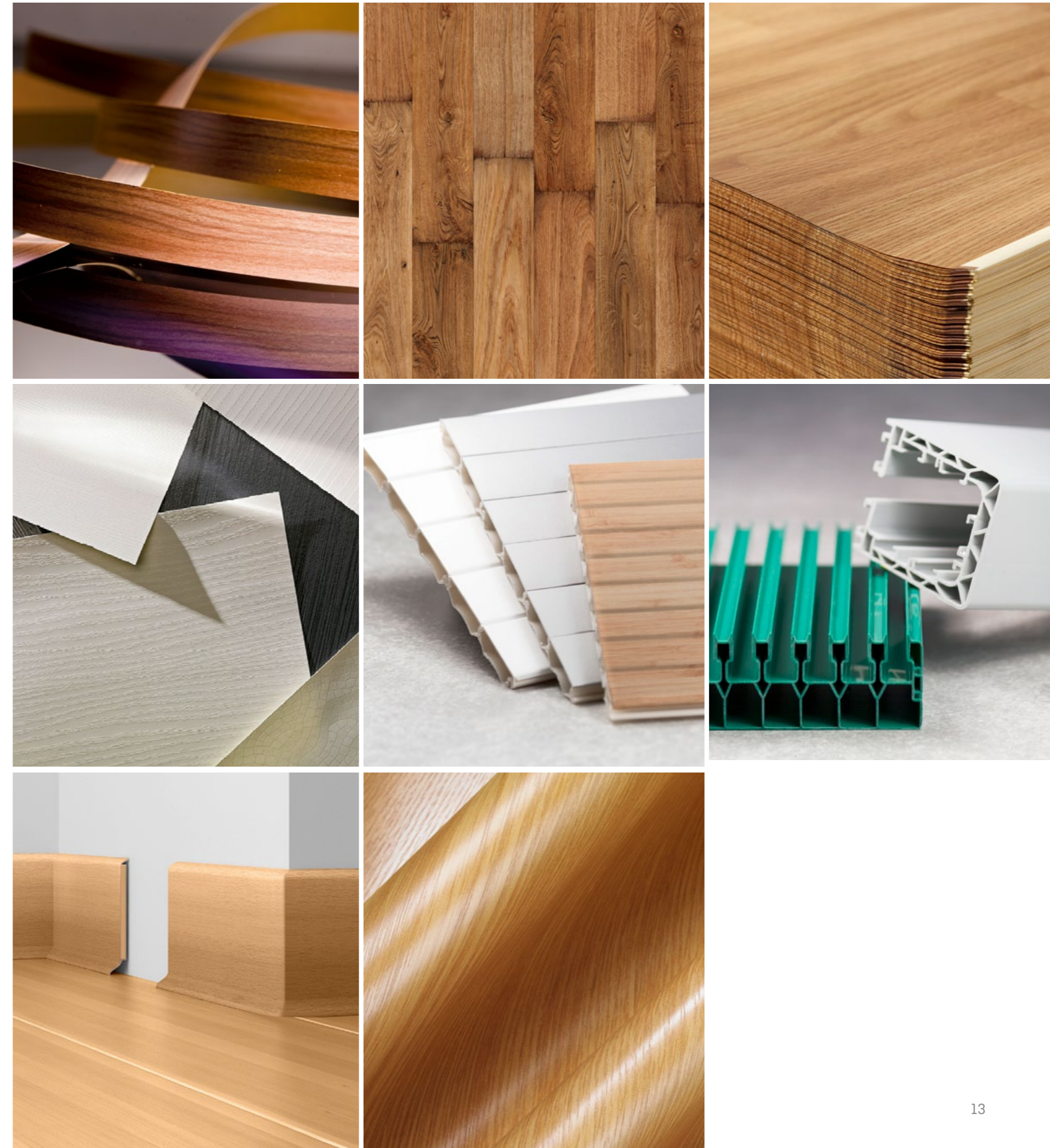
**Skirtings** complete the flooring product range. SURTECO is a reliable partner for specialist flooring wholesalers and for professional floorlayers. The spectrum of products comprises skirtings, stair edges, transition rails and all the accessories required for laying floors.

Decorative **impregnated products** from SURTECO are found everywhere, for example on furniture or laminated flooring. They have a tough, abrasion-resistant surface that is extremely resistant to mechanical, thermal and chemical influences. Overlays with a laminate structure from SURTECO give an additional coating for areas subject to heavy wear and tear and provide special optical effects.

**Release papers** from SURTECO are used for the production of melamine surfaces in the wood-based material industry. The product lends the surface its final visual look and provides a haptic feel. Release papers from SURTECO are also used to give texture to other materials such as leatherette.

Complete **roller-shutter systems** from SURTECO are widely used by the furniture industry. A broad range of different designs is available as conventionally or digitally printed, or produced with fully laminated finishes.

**Technical extrusions** made of all common plastics manufactured for the construction sector and many other industrial sectors complete the product portfolio.





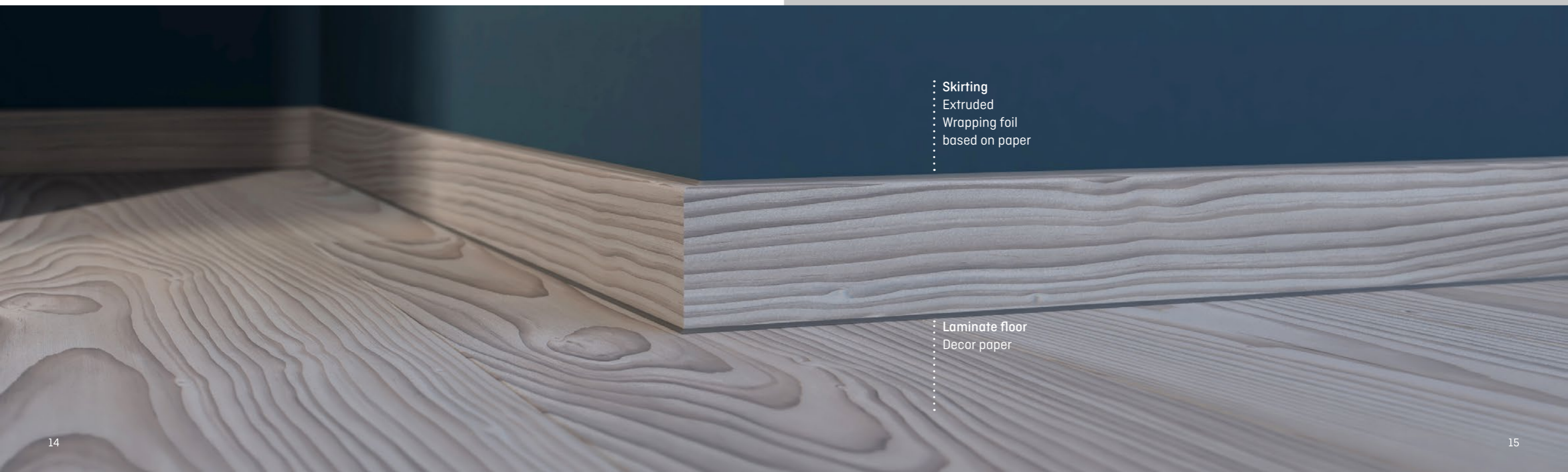
## Extremely versatile application opportunities for SURTECO products

The products from SURTECO bring surfaces to life. These include the front profile of the furniture and the base unit with decor papers and finish foils, and narrow edges coated with paper or plastic edgings. Overlays from SURTECO provide enhanced resistance and release papers ensure haptic effects.

And decors from SURTECO also bring the surfaces of floor coverings to life. These include laminate floorings with decor papers, plastic skirting strips and skirtings, and transition rails with paper-based wrapping foils and matching decors.

Sales by product group	2018	2019
Edgebandings	37%	37%
Paper-based finish foils	15%	16%
Decor papers	13%	13%
Skirtings	7%	8%
Impregnated products	10%	7%
Technical profiles	5%	5%
Release papers	4%	5%
Plastic foils	4%	3%
Other products	5%	6%

Sales by regions	2018	2019
Germany	24%	25%
Europe (without Germany)	47%	46%
America	20%	20%
Australia	5%	5%
Asia	3%	3%
Africa	1%	1%





## |5| COMPANY HISTORY

**1871**

### Foundation

of fine paper mill  
Felix Schoeller  
and Bausch  
in Neu Kaliß

**1887**

### Foundation

of timber merchand  
W. Döllken & Cie  
in Essen

**1965**

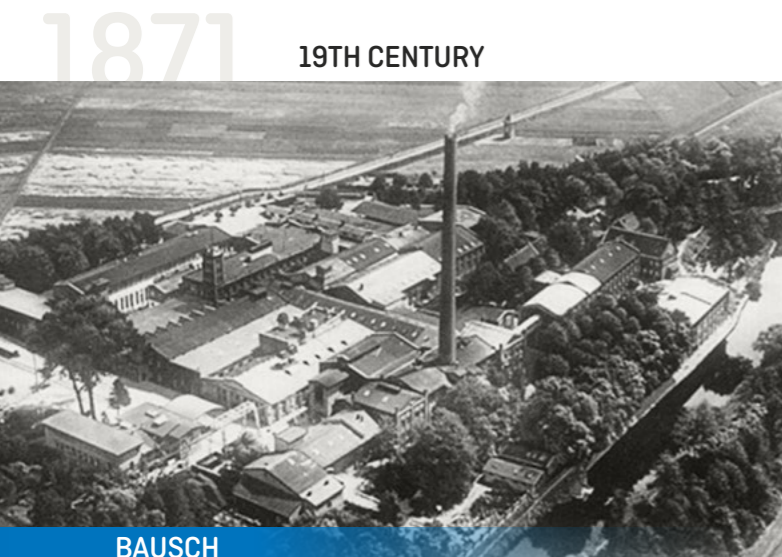
### Foundation

of Linnemann  
GmbH & Co.  
in Sassenberg

### THE ORIGINS OF THE SURTECO GROUP EXTEND BACK INTO THE 19TH CENTURY.

Two of today's predecessors, the companies Felix Schoeller und Bausch, and W. Döllken & Cie. were established during this period. A third strong mainstay started up operations in the middle of the 20th century as the company Linnemann. Following the takeover of a series of companies in Germany and abroad over the past decades and opening numerous locations worldwide, SURTECO is today a company operating on the global stage





1871 19TH CENTURY

BAUSCH

- 1871 Paper manufacturer Felix Schoeller from Düren and his long-time employee Theodor Bausch took over a paper mill in Neu Kaliß, Mecklenburg, installed paper machines for industrial manufacture and established the fine-paper manufacturer Felix Schoeller und Bausch.
- 1927 IGRAF "Internationale Grafik- und Film-Gesellschaft" was established as a subsidiary company with production focusing on chemical refinement of specialist papers.

AFTER THE SECOND WORLD WAR

- 1946 Laborious recommencement of operations after the plant in Neu Kaliß was dismantled by the Soviet forces of occupation.
- 1952 After the company management and a core of employees moved to West Berlin, Viktor Bausch GmbH & Co. Igraf KG was established there.
- 1970 Establishment of Donau Dekor Druck GmbH in Buttenwiesen-Pfaffenhofen, Bavaria and acquisition of a rotogravure printing machine.
- 1983 The two locations were merged to form Viktor Bausch GmbH & Co. Igraf KG in Buttenwiesen-Pfaffenhofen. The plant in Berlin was shut down.
- 1989 Conversion of Viktor Bausch GmbH & Co. Igraf KG to form Bausch AG.



- 1965 Robert Linnemann established his company in Sassenberg, Munsterland, Linnemann GmbH & Co. for the production of base foils.

LINNEMANN

- 1945 After the end of the Second World War, Döllken manufactured wooden chairs, tables, parquet flooring fingers, roof structures for buses, driver's cabs for trucks, and also supplied wood chips for wood gasifiers in the automobile industry.
- 1956 The first plastic extruder plant was established also in Essen. Floor strips, stair edgings, edgebandings and hula-hoop rings were produced.

AFTER REUNIFICATION

- 1999 Bausch AG merged with Robert Linnemann GmbH + Co. to form Bausch + Linnemann AG.



After the Berlin Wall came down, Döllken expanded its production capacities by purchasing a "plastics processing business" in Weimar/Thuringia. The new company Döllken-Weimar GmbH is focused on business with extrusions (profiles) for professional floorlayers.



- 2000-2002 Gradual integration of W. Döllken & Co. GmbH and hence the Döllken Group into Bausch + Linnemann AG.
- 2002 Bausch + Linnemann AG changed the company name to SURTECO AG (SURface TECHNOlogy COrporation).
- 2007 Conversion of SURTECO AG into the European joint-stock company SURTECO SE (Societas Europaea)
- 2007 Acquisition of the Swedish plastic foil producer Gislaved Folie AB
- 2013 Acquisition of the German Süddekor Group
- 2016 Acquisition of the British Nenplas Group
- 2017 Acquisition of the Portuguese Probos Group
- 2018 Merger of SURTECO DECOR GmbH, BauschLinnemann GmbH and Döllken-Kunststoffverarbeitung GmbH to form SURTECO GmbH; Renaming of Döllken-Weimar to Döllken Profiles and merger of Döllken Profiltechnik GmbH to form Döllken Profiles GmbH. SURTECO SE was renamed SURTECO GROUP SE
- 2019 Sale of the North American impregnating operations

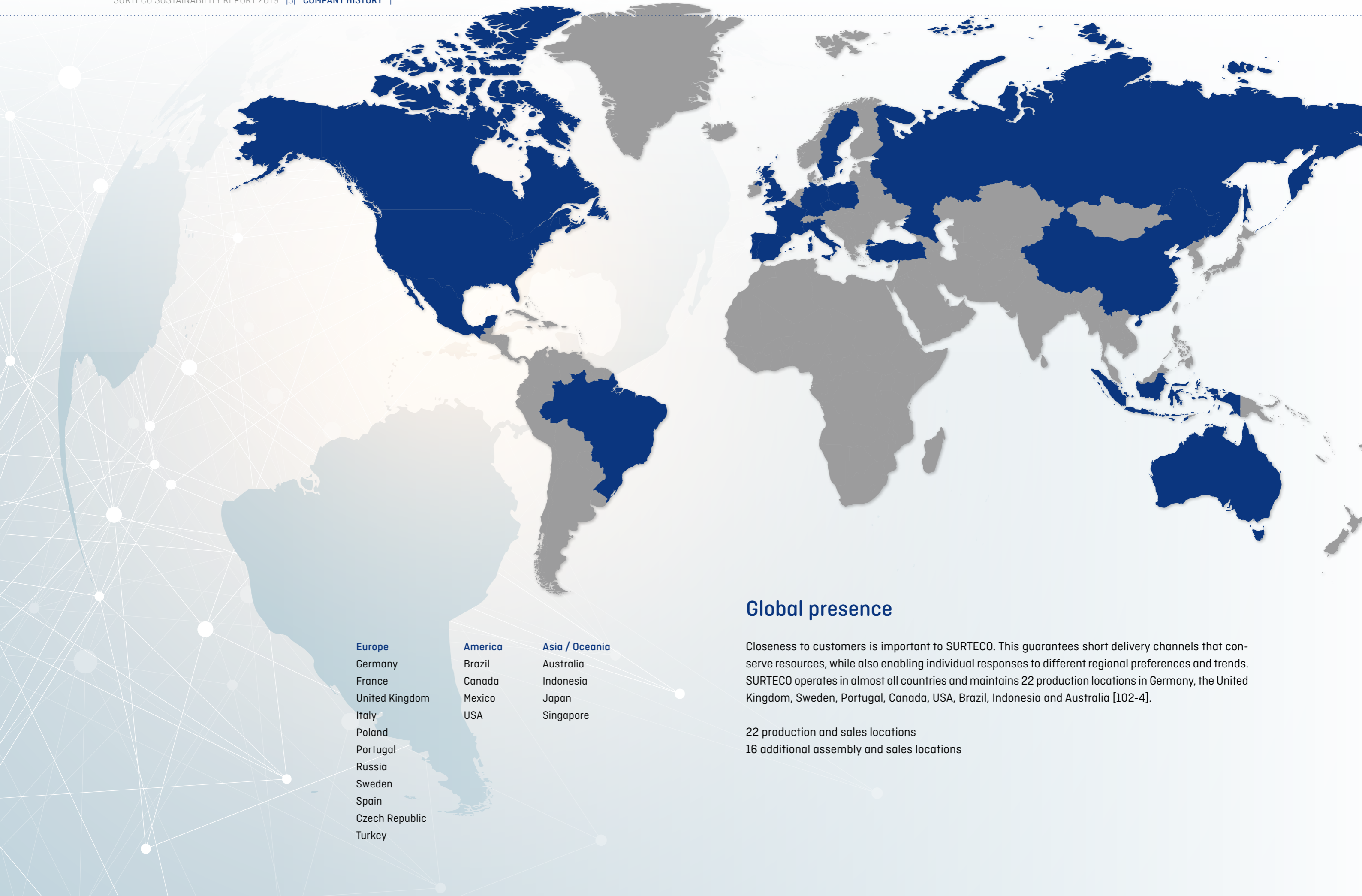


DÖLLKEN

- 1887 Wilhelm Döllken and Leopold Simon founded a timber merchant under the name W. Döllken & Cie, which developed into a business for manufacturing wooden decorations and ornaments.







**Europe**

- Germany
- France
- United Kingdom
- Italy
- Poland
- Portugal
- Russia
- Sweden
- Spain
- Czech Republic
- Turkey

**America**

- Brazil
- Canada
- Mexico
- USA

**Asia / Oceania**

- Australia
- Indonesia
- Japan
- Singapore

## Global presence

Closeness to customers is important to SURTECO. This guarantees short delivery channels that conserve resources, while also enabling individual responses to different regional preferences and trends. SURTECO operates in almost all countries and maintains 22 production locations in Germany, the United Kingdom, Sweden, Portugal, Canada, USA, Brazil, Indonesia and Australia [102-4].

22 production and sales locations

16 additional assembly and sales locations

# |6| BUSINESS BASED ON SUSTAINABILITY

[103-1/2]

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SUSTAINABLE BUSINESS INVOLVES ACTION THAT MAINTAINS AN EQUILIBRIUM BETWEEN THE INTERESTS OF ALL THOSE STAKEHOLDERS INVOLVED IN THE BUSINESS PROCESS AND ALL THE PLAYERS AFFECTED BY THE BUSINESS PROCESS.



## Our understanding of sustainability

Population growth, rising living standards and globalization open up opportunities but also entail a continuous stream of new challenges. This is because an increasing number of people are making use of a steadily decreasing pool of raw materials. If future generations are to have the same opportunities as today, this will demand a significantly more efficient and responsible approach to the resources available.

At the same time, globalization requires a higher level of motivation and performance from individuals. Change in the professional and in the social environment is being carried out with increasing frequency and intensity. This entails social changes that need to be taken into account.

**Sustainable business involves action that maintains an equilibrium between the interests of all those stakeholders involved in the business process and all the players affected by the business process.**

This concept of sustainability encompasses both environmental, economic and social interests. Sustainable business in companies therefore avoids knowingly disadvantaging third parties.

## Sustainability management

SURTECO perceives an obligation to act not only in the economic interests of the shareholders but simultaneously to conserve resources and protect the environment. Sustainability also entails promoting a compatible working environment that fosters performance, guarantees respectful relations between individuals and contributes to campaigns for improving the social climate within the framework of feasible opportunities.

SURTECO is continually working towards reducing the relative consumption of energy and water use, and on the reduction of waste and emission of pollutants. The maximum level of safety for the production plants is a top priority. Products are being permanently improved.

Each of the 22 plants operated by SURTECO across the world is reviewed for potential risks and opportunities for enhancing optimization. The results of our investigations are recorded in groupwide risk controlling, analyzed for their level of urgency and relevance, and then appropriate measures are implemented as far as possible. The inspection of operational locations is carried out at regular intervals and is conducted in accordance with local conditions and incorporates any changes that have taken place at local level.

When suppliers and partner companies are selected, SURTECO takes account of high quality and the reliability of deliveries, as well as safe and environmentally compatible production. [414-1]. When materials are procured and service providers are selected, SURTECO prefers to cooperate with companies which operate environmental management in conformity with the international regulations of ISO 14001 or operate under comparable conditions. Suppliers and service providers are required to comply with the same strict requirements as SURTECO in accordance with its Code of Conduct.

The printed decor papers, the finish foils and melamine edgebandings from SURTECO are supplied as FSC®-C104547 (Forest Stewardship Council®) and PEFC™/04-31-2473 (Programme for the Endorsement of Forest Certification) certified products. The Forest Stewardship Council (FSC) and the Programme for the Endorsement of Forest Certification Schemes (PEFC) are international forestry certification systems to safeguard sustainable forestry management while guaranteeing environmental, social and economic standards.

Furthermore, the major production facilities of SURTECO have been certified for sustainable business practices (Quality Management ISO 9001, Environmental Management ISO 14001, Occupational Health and Safety Management ISO 18001 and Energy Management ISO 500001).

## [102-15] Opportunities outweigh risks

The corporate opportunities for SURTECO are available in the development of innovative products. Their composition is focused for example on fewer and increasingly renewable raw materials. The risks associated with production of these materials are being reduced and the waste generated is also being cut down. All these factors taken together encompass sustainability.

Opportunities also emerge from the continuously growing size of the global population. Aside from the basic physical requirements, living space is one of the existential basics of life. The products of SURTECO meet these requirements with the surfaces for affordable and resilient household furniture. Risks are entailed, for example, in the interruption of operations with release of pollutants harmful to the environment. These cannot be excluded even though the greatest care is exercised. It is also possible that the market fails to reward the degree of care and resources necessary, and cheaper products are preferred as a result. Up to now, SURTECO has not recorded significant risk incidents. Equally, climate change has not exerted any impacts on the business development of the company [201-2].

## SURTECO perceives its social responsibility as the key factor for success.

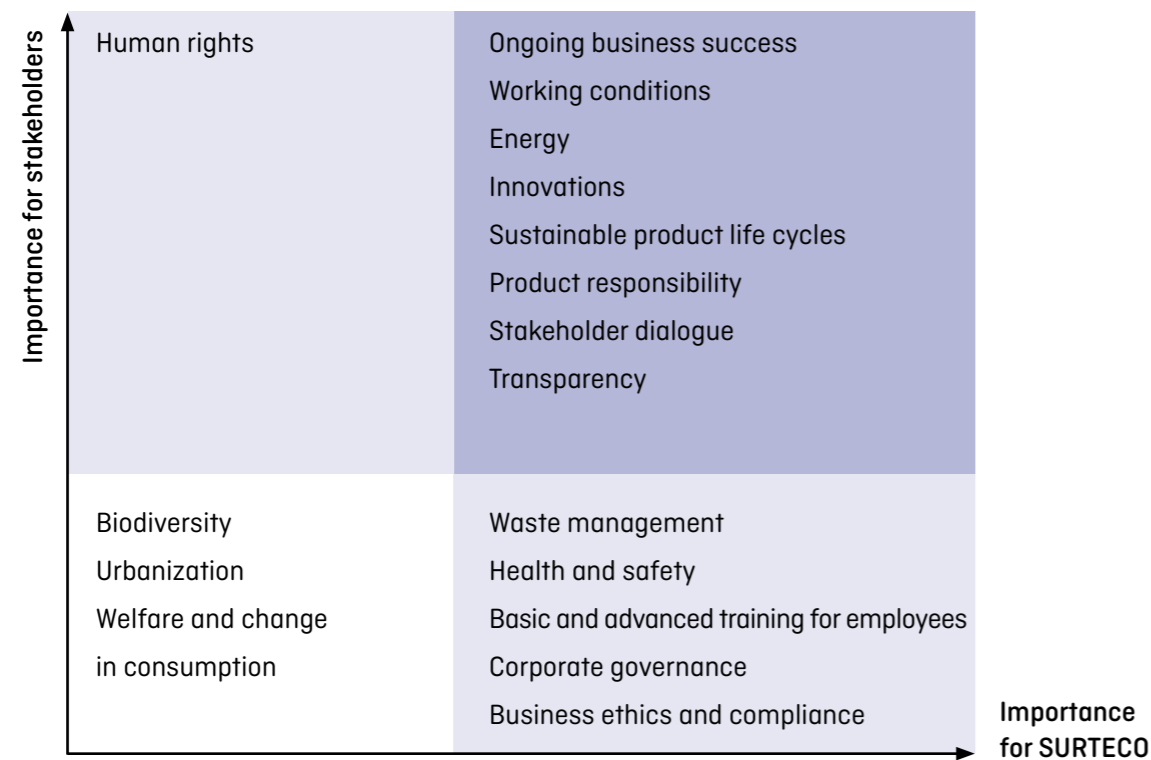
The corporate policy of SURTECO acts as a role model for the development of strategies by the individual business units. A key attribute of implementing the strategy of SURTECO is a management concept that includes the principles of social responsibility in decision-making and subsequent implementation. These principles are accountability, transparency, ethical conduct, respect for the interests of stakeholders, respect for the rule of law and international standards of conduct, and respect for human rights. Benchmarks for the success of this concept are the market share of SURTECO, the value added, and the quality and safety of processes, products and services. A further important corporate goal – alongside the continuous improvement in environmental protection, occupational health and safety – is the long-term return on assets, associated with sustainable corporate growth.

## [102-47] Focuses of sustainable action

SURTECO concentrates its sustainability activities on areas that are logically entailed in the activity of a successful industrial company operating throughout the world. These include plant, process and product safety, environmental protection, innovation, employee responsibility and corporate governance. On the other hand, SURTECO concentrates on areas that have been identified during intensive dialogue with stakeholders as material such as job opportunities and local engagement within the framework of corporate responsibility.

[102-21] The materiality matrix below records the key areas of the SURTECO sustainability policy. It summarizes the corresponding aspects with high and moderate relevance for the business of SURTECO and for the stakeholders. The matrix is the result of careful investigations – a process that is being continuously progressed.

SURTECO engages in continuous and timely communication with its important stakeholders in the form appropriate for the individual target group. Important stakeholders for SURTECO include its shareholders, employees, suppliers, customers, residents living near the locations, government authorities and associations. SURTECO conducts conversations with stakeholders when this is necessary. Depending on the individual countries, topics and target groups, SURTECO maintains an effective exchange of views and ideas when necessary.



## [102-16] Values, principles, standards and norms of behaviour

The trust of customers, lenders, employees, government agencies and the general public are extremely important for SURTECO. A key factor for this is the conduct in business life. SURTECO regulates this conduct in the Code of Conduct and in management principles. The Code of Conduct defines the corporate culture and the principles in dealing with business partners, employees and third parties. The Code is issued to every employee and explanations are provided. It has also been translated into all national languages in which SURTECO workers are employed. The managers of SURTECO base their actions on binding management guidelines. Respect, role model function and fairness in the treatment of employees play a very special role.

## [102-22] Equal opportunities for men and women

The diversity concept of SURTECO GROUP SE for the composition of the Management Board and the Supervisory Board is based on the recommendations of the German Corporate Governance Code. This states that at least one woman should be a member of the Management Board and the Supervisory Board. Unfortunately, it has not so far been possible to appoint a woman to the Management Board and the Supervisory Board although appropriate efforts have been made to achieve this.

A guiding principle is that when members of the Supervisory Board are elected or re-elected, if possible they should not be older than 63 years old. The statutory retirement age applies as the maximum age for Members of the Management Board. A competence profile is used when looking for suitable candidates for appointment or election to the Supervisory Board or Management Board. This focuses particular attention on the occupational background and the specialist qualification of the candidates.



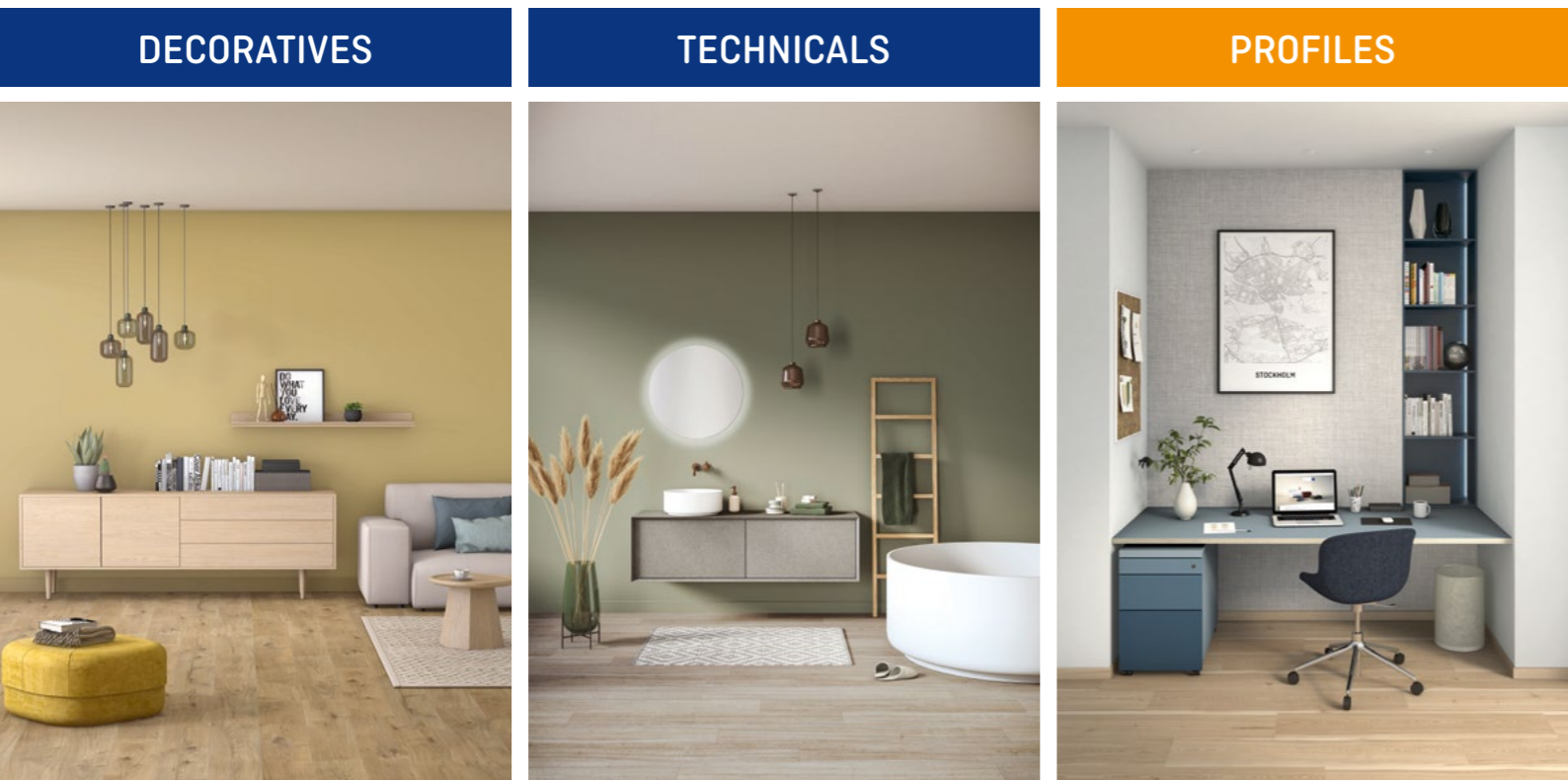


## [102-45/46/50] Structure, reporting boundaries and changes

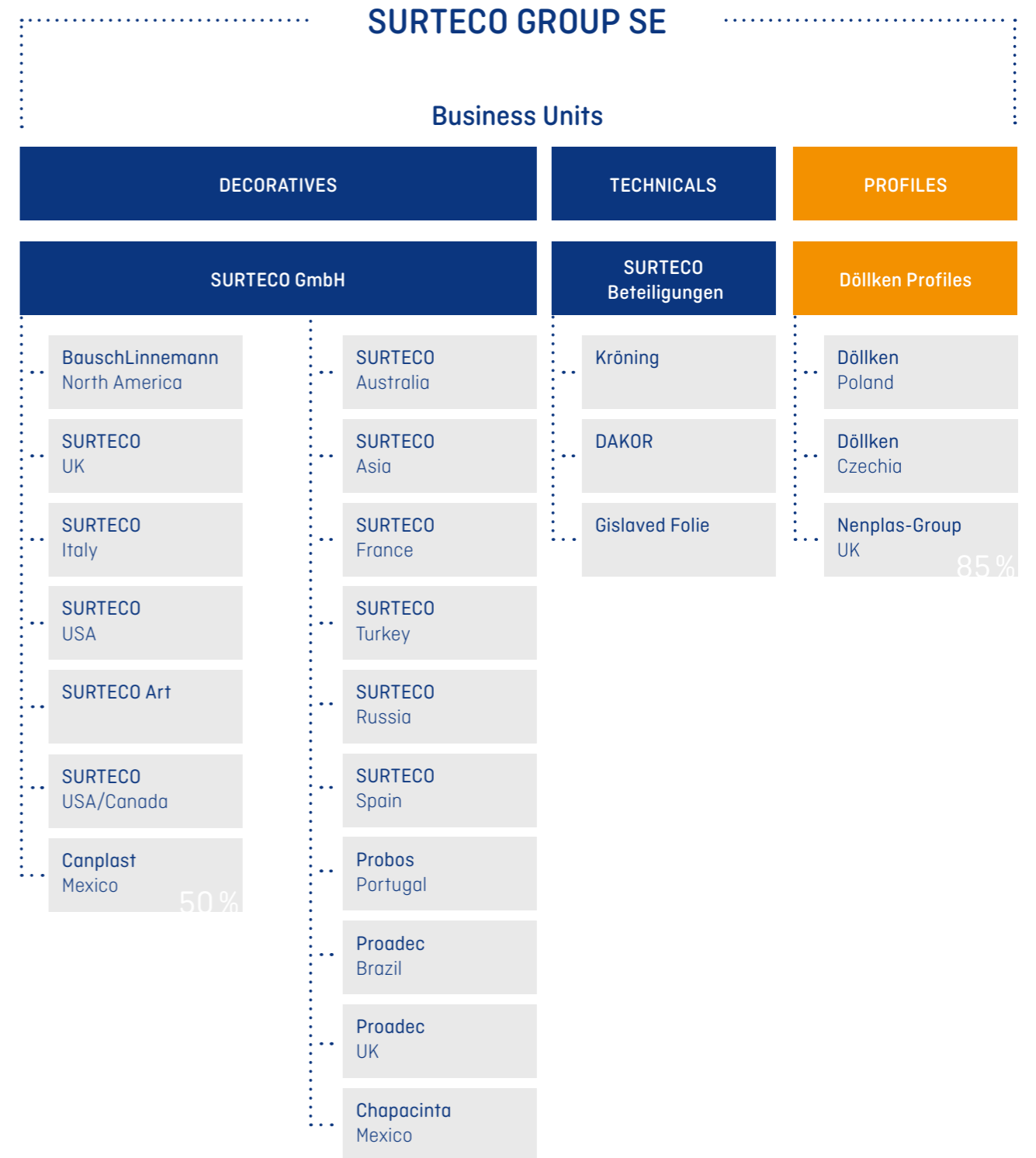
SURTECO has based the structure of this report and presentation of the individual sustainability topics and action areas on the matrix of the Global Reporting Initiative [GRI]. The reporting period is the business and calendar year 2019. This Sustainability Report from SURTECO includes all the Group companies and operational locations, if SURTECO has a shareholding greater than 50 % in these companies, and all relevant business areas and topics. An organisational overview of the SURTECO Group is presented below.

Any reporting that deviates from this structure in exceptional cases is expressly identified at the relevant place and explained appropriately. Deliberate restrictions are not made in this report. The presentation of the sustainability fields and sustainability activities covers all the key issues for SURTECO. This report was prepared with the greatest possible care and following a detailed audit. SURTECO intends to present a well-balanced picture of its sustainability efforts on this basis.

[102-10] In July 2019, the Group sold the impregnation division of the subsidiary company Süddekor LLC, East Longmeadow, USA. In relation to the overall size of the Group, the disposal does not represent a significant change. However, the impregnation business is relatively energy intensive so that the relative and absolute energy consumption has been tangibly reduced as a result of the sale.



## [102-5] Organizational structure on 31 December 2019



## |7| ECONOMY

SURTECO is continuously engaged in developing the group of companies further. SURTECO is expanding its global market position through its acquisition strategy while at the same time benefiting from additional production capacities and most importantly many years of experience of employees in the individual specialist areas.

### Distribution of value added

The activities of SURTECO as an employer, as a company sourcing local products and services, and as a contributor of taxes and deductions supports the local economic development in the individual regions and countries. [203-2] The value added contributed by SURTECO directly and indirectly increases the individual living standards of the population. SURTECO is not aware of any notable negative impacts of its activities on the local community.

In the business year 2019, SURTECO generated an aggregate value (sales less cost of materials, depreciation and amortization, and other expenses) amounting to around 209.3 million euros. This value added was allocated to employees, shareholders, and to tax expenses and lenders (interest payments). Around 0.8 million euros were retained in the company.

#### [102-7, 201-1] Value added and allocations to the stakeholders of SURTECO

€ millions	2018	2019
Value added	219.5	<b>209.3</b>
Employees (personnel expenses)	185.3	<b>186.2</b>
Shareholders (dividends)	12.4	<b>8.5</b>
Government (taxes)	8.2	<b>6.5</b>
Lenders (interest)	7.5	<b>7.3</b>
Remaining in the company	6.1	<b>0.8</b>



## |8| ENVIRONMENT

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SURTECO OBSERVES AND ANALYSES ALL AREAS THAT COULD EXERT NEGATIVE EFFECTS ON THE ENVIRONMENT AND ON THE EFFICIENT USE OF RESOURCES.



SURTECO observes and analyses all areas that could exert negative effects on the environment and on the efficient use of resources. These include:

- **polluted wastewater,**
- **energy consumption and emissions of air pollutants,**
- **waste for disposal,**
- **materials for internal or external recycling,**
- **accidents, events and complaints from neighbouring residents.**

In July 2019, SURTECO sold its impregnation division in the USA. All consumption values from 2018 were adjusted by the values of the sold location in order to ensure the comparability of the continuing operations. Furthermore, a transfer error in a company during the previous year was corrected.

## Water usage

SURTECO draws approximately 39 % of its water from the public water pipeline grid and around 61 % from its own wells, or from rivers, [303-2] although the amounts are not of an order of magnitude that will exert a notable negative impact on the individual water system. Most of the water is used for cooling or cleaning purposes and it is discharged back into the public drainage system or even rivers after it has been used and following appropriate treatment and processing. Only a very small proportion of the volume of water withdrawn is associated with the manufacture of inks and varnishes.

During the reporting year, the volume of water used or consumed by SURTECO amounted to 0.356 million cubic metres following 0.485 million cubic metres in 2018. [303-3]

Recirculated cooling water is also used as a coolant at some locations and this water is then conducted back into circulation. This environmentally compatible cooling procedure is used in association with the technical possibilities and avoids withdrawing significant quantities of fresh water.

### Water usage of the SURTECO Group

in cubic metres (m³)	2018	2019
Total	484,905	355,569
[303-1] of which from the public water pipeline	137,850	140,370
[303-1] of which from rivers or our own wells	347,055	215,199

## Wastewater

The water used by SURTECO is returned to circulation in different ways according to the amount of pollution. Only minimally contaminated service water is returned to the public drainage system. More polluted wastewater is purified at the company's own treatment plants and then returned to rivers or the public drainage system. At some locations that do not have their own treatment plant, small quantities of significantly polluted water are collected by tankers. This water is treated professionally by external service companies.

The group of companies has one microbiological exhaust-air purification system. Significant amounts of water evaporate in this system and they are released as water vapour into the atmosphere. Cooling water that has not come into contact with any pollutants is discharged into rivers. Finally, small volumes of water are integrated into relevant products or used for irrigating the landscaped areas outside.

During the reporting year, the volume of wastewater generated by SURTECO amounted to 0.335 million cubic metres compared with 0.443 million cubic metres in the previous year. [306-3] SURTECO did not record any unintentional releases during the course of the reporting year.

### Wastewater from the SURTECO Group

in cubic metres (m³)	2018	2019
[306-1/2] Total	443,476	335,380
Wastewater discharged into the drainage system	111,556	100,869
Wastewater discharged through in-house treatment plant	12,291	11,189
Evaporation/unpolluted discharge into rivers	311,626	216,210
Other types of disposal	8,003	7,112

## Biodiversity

[304-1] Most of SURTECO's production sites are located in industrial zones or other business parks, although SURTECO also has some operational premises close to protected nature conservation areas. Up to now, no measurable impacts have been identified on biodiversity or the ecosystem. SURTECO defines strict rules for plants located near flowing bodies of water so that production does not lead to any recordable impacts on the surrounding fauna and flora. [304-2]

If plants operated by SURTECO are directly adjacent to areas of forest, steps are taken to ensure that no significant negative impacts are exerted on fauna and flora by the type of plant and the business activity. [304-4] The business operations of SURTECO do not exert any identifiable impact on animal and plant species recorded on the Red List of the IUCN (International Union for Conservation of Nature and Natural Resources), which are at risk of extinction.



## Energy consumption

The plants of SURTECO require energy, primarily in the form of electricity for production (power units used for extruders, printing machines, calenders, agitators, pumps, other process equipment, and measuring and control technology) and in the form of natural gas for heat generation and for operating drying and thermal exhaust-air purification plants. Energy is an important production and cost factor for SURTECO. For this reason, SURTECO adopts a very efficient approach to the use of this resource.

### [302-1/2] Energy consumption of the SURTECO Group

Kilowatt hours (kWh)	2018	2019
Total	227,204,305	226,513,192
[302-1] of which generated internally	108,201,577	111,593,434
[302-2] of which sourced	119,002,728	114,919,758

Direct energy consumption, i.e. the use of primary energy fuels, takes place at plants with their own power stations or systems for generating energy. Indirect consumption results primarily from sourcing electricity. Most of our own power stations do not produce renewable energy. However, photovoltaic plants at our locations in Portugal and Australia generate solar electricity. The quantity produced in 2019 amounted to 532,766 kilowatt hours (kWh) after 136,000 kWh in 2018. In addition, renewable energy is purchased from external providers as part of their energy mix. Informative disclosures on energy intensity – i.e. energy consumption in relation to production volume – are not possible at SURTECO owing to the very broad product portfolio and continual changes in the material mix. Accordingly, due to the large number of different products each with completely different energy requirements, regular changes in the product portfolio lead to significant fluctuations in the calculated energy intensity, which distort the picture of the actual energy efficiency. A relationship between energy and sales does not reflect the actual energy efficiency because here frequent fluctuations in exchange rate and market price do not permit meaningful analysis along a timeline. SURTECO therefore only reports on overall energy consumption, corrected by company purchases and sales.

Consequently, the energy consumption in 2019 fell throughout the Group at SURTECO to 226.5 million kilowatt hours (kWh) after 227.2 million kWh in the year before.

## Emissions into the air

In spite of efforts directed towards environmental protection, emissions into the atmosphere cannot be entirely avoided. They also constitute side effects of production processes such as waste or consumption of resources and raw materials. Emissions are subject to limit values that are defined by operating licences for plants issued by government agencies. SURTECO monitors compliance with these limit values at individual locations by taking its own measurements.

The emission of greenhouse gases caused directly (Scope 1) arises as a result of energy produced directly by the company's own power plants or by emissions caused within the organization, for example heating energy or thermal exhaust-gas purification. Emission values were calculated on the basis of the energy sources used, such as gas or heating oil.

Most of the indirect emissions of greenhouse gases are caused by external energy purchase, mostly in the form of electricity (Scope 2). Either the emissions permits of energy suppliers or (if they are not available) country-specific conversion factors are used for purposes of calculation, which are determined from the infrastructure available in the individual country.

Due to the difficulty of setting boundaries and the lack of clarity in the cost-benefit relationship between the recording of resources necessary and the information gained, further data on indirect emissions of greenhouse gases (Scope 3) other than those recorded (for example due to business trips or as a result of intermediate products) are not collected.

The total volume of greenhouse gases emitted by SURTECO or caused by its operations, including direct and indirect emissions (so-called CO2 equivalent), amounted to 53,282 metric tons of CO2 equivalents in 2019 (2018: 55,322 metric tons).

Substances with the potential for ozone depletion are used exclusively in closed systems, mostly in cooling systems. Most of the coolants used by SURTECO do not have any ozone-depleting potential. Other significant emissions from volatile organic compounds (VOC) amounted to 429 metric tons in 2018 and 512 metric tons in 2019. These values were calculated from site-specific data.

### Emissions of the SURTECO Group into the air

	2018	2019
[305-1/2] Greenhouse gases (in mt of CO2 equivalents)	55,322	53,282
Scope 1	18,165	17,141
Scope 2	37,158	36,141
[305-7] Other significant air emissions (in mt)		
VOC	429	512



## Noise emissions

Residential areas are located directly adjacent to some locations. Even within large industrial parks there are neighbours due to the large number of different operators. Naturally, protecting our employees against harmful noise emissions is equally important as the protection of our neighbours. SURTECO therefore continuously makes strenuous efforts to reduce noise pollution further.

Noise is primarily created in the production plants and by loading and transporting goods by road and rail. A noise profile typical of the individual surroundings is generated together with the sound sources produced within the environment. Complaints about noise are quickly investigated.

In order to provide employees with effective protection, SURTECO ensures that the noise pollution at permanent workplaces is always maintained below the individually applicable (statutory) threshold values. This is achieved by modifying or encapsulating machines, by enclosures and procuring low-noise machines or electric motors. In working areas where these threshold values are exceeded, employees have to wear ear defenders, and other noise abatement measures have to be evaluated. Plants and workstations are regularly checked with noise measurements. If values have increased by comparison with previous measurements, the causes are identified and protective measures are initiated.

## Waste

[306-2] The waste generated at SURTECO generally resembles domestic waste such as paper, wood, plastics and metal. Hazardous waste such as liquids and sludges polluted with chemicals is also produced. Building rubble following modification works on buildings is also generated. The avoidance of waste takes precedence over recovery and disposal of waste at SURTECO. Keeping the generation of waste to a minimum is therefore a top priority already at the stage of development and manufacture of products. Unavoidable production waste is subsequently professionally recovered or disposed of. All waste is recorded and described. Professional disposal is tracked and documented in the course of internal recording.

The volumes of waste are recorded separately by type. A proportion of the waste (about 14,282 metric tons) was recycled or processed. Only appropriate disposal companies holding a government licence for the specific waste are commissioned with carrying out disposal. Since the limits vary quite significantly across the world, a flat-rate amount for the total volume of waste including recycled waste is reported in order to avoid distortions. According to this disclosure, the total volume of waste generated by SURTECO amounted to 34,674 metric tons in 2019 after 29,016 metric tons in 2018.



Volume of waste generated in the SURTECO Group

Waste in metric tons	2018	2019
Hazardous waste	1,586	910
Non-hazardous waste	17,369	19,482
Recycled waste	10,061	14,282



## |9| EMPLOYEES [102-8]

SURTECO believes it is important to offer employees a professional working environment in order to promote the health of its people on the one hand and to boost the operating performance of the company overall. A detailed explanation of the corporate principles is therefore given to the workforce for this purpose. The abilities and motivation of each individual employee, their commitment to the quality of work outcomes and observance of environmental protection, and their occupational health and safety are fostered individually and within teams. SURTECO is dedicated to supporting its employees in every possible way to achieve these aims. Not least for this reason, a top priority is involvement of employees in a broadly-based and in-depth integration within a permanent continuous improvement process.

### Promotion of a positive employee attitude through special measures

- value-based corporate culture,
- open dialogue between all employees within the company,
- appropriate remuneration, recognition, training, career development,
- an attractive company proposal scheme,
- a modern system of company pension provision.

**Quality, environmental protection, occupational health and safety constitute a challenge for the initiative and responsibility of employees; this is reflected in:**

- consistent compliance with regulations,
- an approach geared to safety and environmental awareness,
- integration in the continuous improvement process.





## Qualified employees

The Group management of SURTECO, the site management teams and all employees are integrated in a continuous improvement process. Alongside training sessions and qualification measures, the regulations, processes, rules and instructions included in the management system form the basis that enables SURTECO to ensure that employees are able to carry out their work. This platform allows them to review their own actions and results, and they are also able to identify potential. Risks and opportunities are identified in this way and appropriate measures are initiated.

Environmental protection and safety are integral components of the responsibility of the Group management, site managers, departmental and operating managers, and all office staff. All employees have an obligation to comply with regulations in their area of activity, to develop procedures and working practices, and to ensure that important information is passed on and the necessary documentation is put in place.

Supervisors promote a sense of responsibility and commitment to making improvements. Employees are familiar with their functions and with the relationship between those functions and corporate policy, strategy and objectives. All participants are involved in project identification. Performance-oriented team work is deliberately fostered.

### Health days

SURTECO offers its employees additional packages at the German locations that are intended to provide them with a more comfortable and sustainable working day. These include baskets of fruit provided free of charge, water dispensers located in the departments, and subsidies for fitness studios and leased e-bikes.

Diversity defines the corporate culture at SURTECO. Employees from more than 40 different countries are employed within the Group across the world. SURTECO supports employee development through individual and regular training sessions in all Group segments in order to retain the positive and

creative effects of this diversity. During the reporting year, 1,588 employees took part in various training and career development measures. The average number of hours of training and career development for each employee [404-1] amounted to around 7 hours.

On 31 December 2019, group-wide fluctuation [401-1] amounted to 7.1 % after 6.5 % in the previous year. The average length of service was 12.3 years worldwide in 2019 (2018: 12.7) and the average age of all employees amounted to 41.9 years after 42.5 years in the previous year.

### [102-7] Employee structure of the SURTECO Group

		2018	2019
Employees	Total number	3,304	3,174
Gender	Man	2,743	2,618
	Woman	561	556
Age	Up to 29 years	17%	16%
	30 to 49 years	48%	48%
	50 years and older	35%	36%
Nationality	German	50%	50%
	Portuguese	8%	8%
	US American	7%	5%
	British	5%	5%
	Brazilian	5%	6%
	Turkish	4%	4%
	Canadian	4%	4%
	Swedish	3%	4%
	37 other nationalities	14%	14%





## Performance review and improvement

SURTECO guarantees the necessary level of safety and its continuous improvement with a variety of audits, reviews and checks. Production plants and other technical installations, warehouses, and laboratories are recorded at all the locations. The realized safety concepts are put on the test stand during the course of the inspections. If there are any nonconformities with the standard, appropriate corrections are carried out that are agreed with the responsible process owners. Their implementation is then checked at regular intervals.

## Occupational accidents

Employees are informed about the risks entailed in their work as part of health and safety in the workplace. Systematic checks are carried out at workstations where hazardous substances are handled.

The efforts to avoid occupational accidents are a constituent element of production activities at SURTECO and require supervisors to work continuously at encouraging the motivation of employees. Nevertheless, the number of occupational accidents can be continuously reduced, even if they cannot be entirely avoided.

During the course of the reporting year 2019, 127 occupational accidents with an absence of at least one working day occurred throughout the Group. The number of days of absence reached 4,286 days.





## Customer orientation

SURTECO maintains permanent contact with its customers [417-1]. The latter receive support in applying and using the products. Part of the service range also encompasses comprehensive product information and this focuses in particular on optimum application.

The Group's corporate goal is to rank among the world's most attractive suppliers in the furniture industry. With this end in mind, SURTECO is consistently improving its products and services not least in the interests of sustainability. Quality is therefore primarily defined by assessment criteria specified by customers for SURTECO. These need to be complied with as cost-effectively and completely as possible. SURTECO concentrates primarily on [416-1]:

- excellent and reproducible product characteristics,
- reliability of delivery,
- attractive price-performance ratio,
- specific commercial and application support,
- development of products and services that open up new opportunities for customers.

SURTECO supports the sales success of customers in their markets through the quality and performance of their products. This creates the platform for SURTECO's own success. Generally speaking, SURTECO strives to achieve cooperation based on partnership with current and future customers. A cooperative relationship permits a comprehensive understanding of the relevant markets and early identification of new requirements for products and procedures. This is based on key objectives for research and development. Consequently, customers will receive important information and as necessary assistance in ensuring safe and environmentally compatible processing, storage, transport and disposal of products [416-1].





## Sustainability in operating business

SURTECO manufactures products that meet the basic human requirements in an array of application areas, improve the quality of life and safeguard and enhance living standards. The research, development and production departments are continuously working on complying with and indeed exceeding expectations for the quality and safety of products. An equally important aim is to avoid or reduce negative impacts on the environment.

### [102-9] Suppliers and service providers

[308-1/2] As part of a comprehensive approach to sustainability, SURTECO also requires suppliers and service providers to comply with the agreed attributes of services and to observe and implement aspects relevant to safety and the environment that are equivalent to those applicable at SURTECO. The procedure for selecting, reviewing and assessing suppliers is intended to guarantee that the goods and services purchased are in accordance with these requirements. Suppliers are reviewed on this basis for reliability, quality, service and price-performance ratio, and in relation to the benchmarks of the SURTECO Code of Conduct, as well as in relation to social aspects and environmental awareness.

SURTECO procures raw materials, packaging materials, production goods, services and other input factors such as energy throughout the world. Generally speaking, SURTECO purchases directly from the corresponding manufacturers and the company is not particularly dependent on any single supplier. The cost of materials ratio at 48.2 % in 2019 indicates that the procurement of raw materials constitutes the biggest expense item for SURTECO. Around 88 % of the total cost of materials is attributable to the three most important raw materials paper, plastics and chemical additives.

## Corruption and breaches of the law

[205-1] Risks of corruption at SURTECO are investigated as part of the internal audits carried out on a continuous basis. Up to now, no business transactions have been identified that would have provided any occasion for initial suspicion. [205-3] [417-2/3] [419-1] In the reporting year, SURTECO was not aware of any cases in which SURTECO was accused of not having materially complied with legislation, regulations and voluntary rules on conduct. [205-2] Against this background, explicit anti-corruption training sessions have not yet been carried out.

As a consequence, no substantial financial penalties or non-monetary sanctions are known on account of non-compliance with legal regulations. SURTECO places great emphasis on fair treatment in dealings with competitors, suppliers and customers. [206-1] In the reporting year, there were no lawsuits relating to anti-competitive behaviour, antitrust and monopoly practices, and no lawsuits or grievances in respect of statutory provisions on unfair competition. In the reporting year 2019, [307-1] SURTECO did not have to pay any significant financial penalties and was not subject to any non-monetary sanctions on account of non-compliance with legal regulations relating to the environment.

## REFERENCE TO GRI INDICATORS

Indicator	Information
102-1	Name der organization
102-2	Activities, brands, products, and services
102-3	Location of headquarters
102-4	Location of operations
102-5	Ownership and legal form.
102-6	Markets served
102-7	Scale of the organization
102-8	Information on employees and other workers
102-9	Supply chain
102-10	Significant changes to the organization and its supply chain
102-14	Statement from senior decision-maker
102-15	Key impacts, risks, and opportunities
102-16	Values, principles, standards, and norms of behaviour
102-21	Consulting stakeholders on economic, environmental, and social topics
102-22	Composition of the highest governance body and its committees
102-45	Entities included in the consolidated financial statements
102-46	Defining report content and topic boundaries
102-47	List of material topics
102-50	Reporting period
102-53	Contact point for questions regarding the report
103-1	Explanation of the material topic and its boundaries
103-2	The management approach and its components
201-1	Direct economic value generated and distributed
201-2	Financial implications and other risks and opportunities due to climate change
203-2	Significant indirect economic impacts
205-1	Operations assessed for risks related to corruption
205-2	Communication and training about anti-corruption policies and procedures
205-3	Confirmed incidents of corruption and actions taken
206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices
302-1	Energy consumption within the organization
302-2	Energy consumption outside of the organization
303-1	Water withdrawal by source
303-2	Water sources significantly affected by withdrawal of water
303-3	Water recycled and reused
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas
304-2	Significant impacts of activities, products, and services on biodiversity
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations
305-1	Direct (Scope 1) GHG emissions
305-2	Energy indirect (Scope 2) GHG emissions
305-6	Emissions of ozone-depleting substances (ODS)
305-7	Nitrogen oxides (NO <sub>x</sub> ), sulphur oxides (SO <sub>x</sub> ) and other significant air emissions
306-1	Water discharge by quality and destination
306-2	Waste by type and disposal method
306-3	Significant spills
307-1	Non-compliance with environmental laws and regulations
308-1	New suppliers that were screened using environmental criteria
308-2	Negative environmental impacts in the supply chain and actions taken
401-1	New employee hires and employee turnover
404-1	Average hours of training per year per employee
414-1	New suppliers that were screened using social criteria
416-1	Assessment of the health and safety impacts of product and service categories
417-1	Requirements for product and service information and labelling
417-2	Incidents of non-compliance concerning product and service information and labelling
417-3	Incidents of non-compliance concerning marketing communications
419-1	Non-compliance with laws and regulations in the social and economic area

2019

## Contact

### **Martin Miller**

[102-53] Investor Relations and Press Officer

T: +49 8274 9988-508

F: +49 8274 9988-515

ir@surteco-group.com

www.surteco-group.com

### **[102-1, 102-3] SURTECO GROUP SE**

Johan-Viktor-Bausch-Straße 2

86647 Buttenwiesen

Germany

## PUBLICATION DETAILS

### **Published by**

SURTECO GROUP SE

### **Concept and Design**

DesignKonzept, Mertingen

### **Photos**

Ebbing + Partner, Iserlohn

Kaloo Images, Hirschbach

Z-Studio, Wertingen

# SURTECO