

SURTECO SE

.....
we create.
we innovate.
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2017

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Sustainability Report
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|1| FOREWORD

Dear Readers,

[102-14]* The SURTECO Group is a Group of complementary companies operating on the global stage in the international furniture, flooring and wood-based industry. The Group of companies has primarily specialized in the manufacture of decorative surface coatings for furniture, flooring and interior design. Some of the companies in the SURTECO Group are privileged to look back on a history spanning well over 100 years. Durability and sustainability have always been an essential part of our corporate culture – even if we have not reported on this aspect of our work up to now.

The focus on innovations and efficiency of materials strengthens the future capability of our business. It contributes to increasingly cost-effective application of raw materials and energy. This entails permanent optimization of our internal processes. At the same time, our customers benefit from tailor-made solutions in the business units.

Our objective is also to align our companies even more strongly on the criteria of sustainability and entrepreneurial and social responsibility. Both these concepts are inseparably bound up with each other. This alignment will enable SURTECO to contribute to developing responses to the global challenges of our time: water, energy, climate protection and ultimately quality of life for a burgeoning global population.

In spite of our long history, we continually find ourselves positioned at the beginning of a complex process which exerts a tangible impact on the way we think and on our actions. SURTECO is aware of its responsibility to the company, its employees, the shareholders and the environment, and the Group has been operating a sustainable business for many years. Our aim is to carry on optimizing our business activities.

In future, we will concentrate more intensively on the communicative presentation of these processes and report transparently on the topic of sustainability at SURTECO. This is the first standalone Sustainability Report produced by the SURTECO Group. It provides you with a lot of data, facts and product examples. A lot has already been achieved in relation to sustainability, and we are going to continue making improvements. SURTECO is highly committed to doing further work on this area in the course of the business year 2018.

* See reference to GRI Indicators last page



Dipl.-Kfm. Andreas Riedl
Member of the Board of Management
CFO

Dr.-Ing. Herbert Müller
Chairman of the Board of Management
CEO

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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 (**SUR**face **TE**chnology **CO**rporation) is one of the world's leading manufacturers of surfaces for the furniture, flooring and wood-based industry and a producer of technical extrusions (profiles). Its products cover an increasingly large section of the product range on offer in an international economy cyclical sensitive market segment and this strengthens the Group's own market position. The increase in product diversity accompanied by an expanding global presence makes the business model less susceptible to volatility in individual countries and sectors. It is also comparatively insensitive to seasonal fluctuations. This positioning offers opportunities and risks in equal measure.

On the one hand, the requirement for living and office space is increasing with the rising world population and the consequent expansion of purchasing power – and this consequently leads to rising demand for furniture, flooring and interior fittings. This is particularly true for the demographic and economic development in the emerging economies. At the same time, a global trend towards urbanization and individualization is generating an accelerated demand for attractive interior design and fittings. Against this background, SURTECO with a high level of market penetration is able to satisfy virtually all the requirements of manufacturers for decorative and functional surface materials.

On the other hand, the business development correlates with the development of the flooring and wood-based sector, and furniture manufacturing. Simultaneously, as the market players increase their production depth in this sector market capacity also increases and leads to tougher competition.

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 for carrying 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 and high-margin 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 23 production locations and 17 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 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 manufactured products of the SURTECO Group are primarily processed by the international flooring, wood-based and furniture industry. 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 in the SURTECO Group. Home-improvement and do-it-yourself stores are also customers of SURTECO.



|3| COMPREHENSIVE PROGRAMME FOR ANY APPLICATION

SALES IN %

by product group	'16	2017
Edgebandings	31	35
Foils	21	20
Decor papers	18	14
Impregnated products	13	12
Skirtings	7	7
Technical extrusions	3	5
Release papers	3	4
Other products	4	3

by region	'16	2017
Germany	27	25
Europe (without Germany)	44	46
America	20	20
Australia	4	5
Asia	3	3
Africa	2	1

[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.

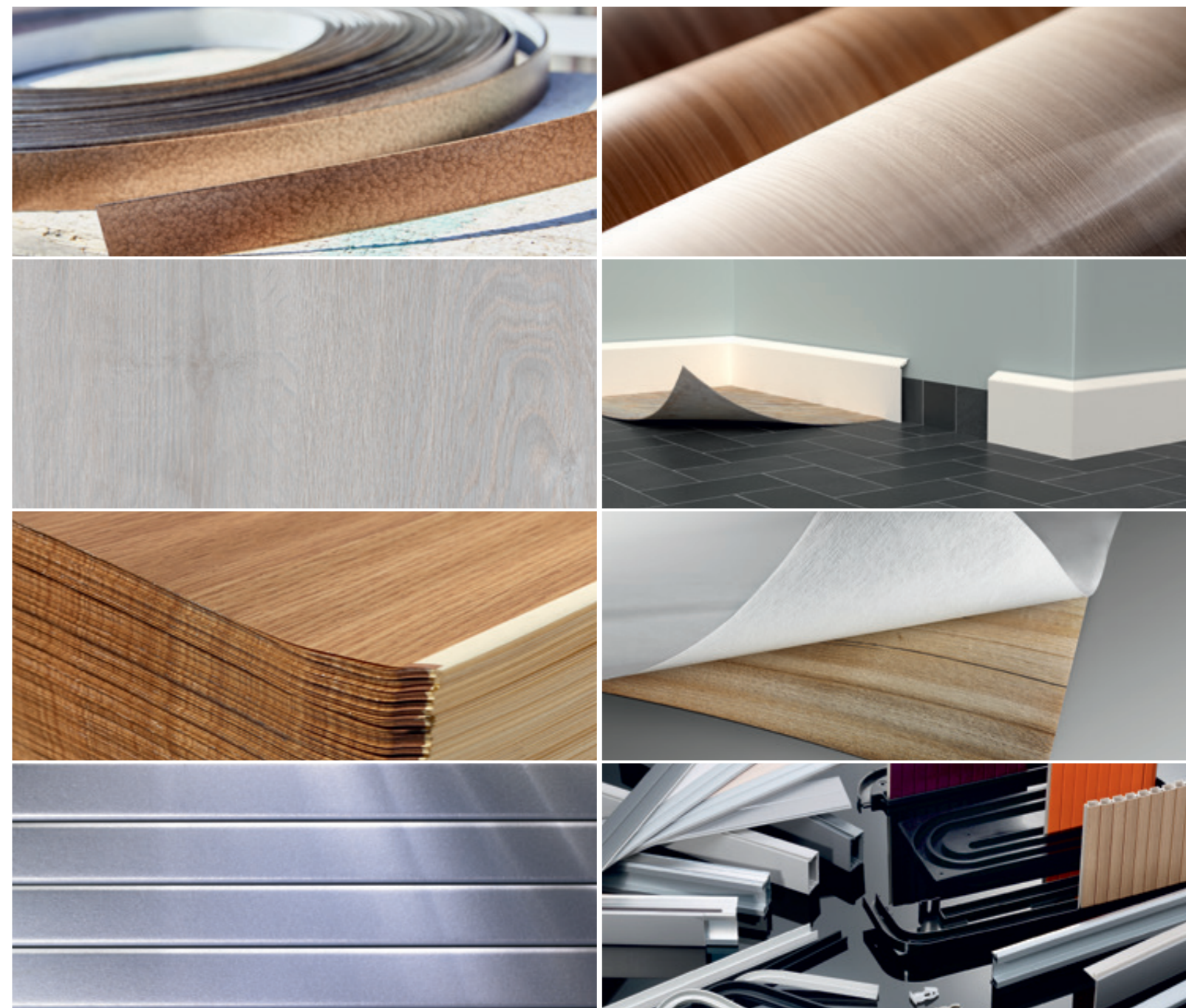
Decor papers are used to provide materials with decor elements in order to refine wood-based materials, for the furniture and flooring industry and in interior design. The development of creative wood, stone and fantasy decors is carried out in cooperation with the Group's own design studios.

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 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 wide 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.



|4| 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, the SURTECO Group is today a company operating on the global stage.

|4| COMPANY HISTORY

1871

19TH CENTURY

- 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.

AFTER REUNIFICATION

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

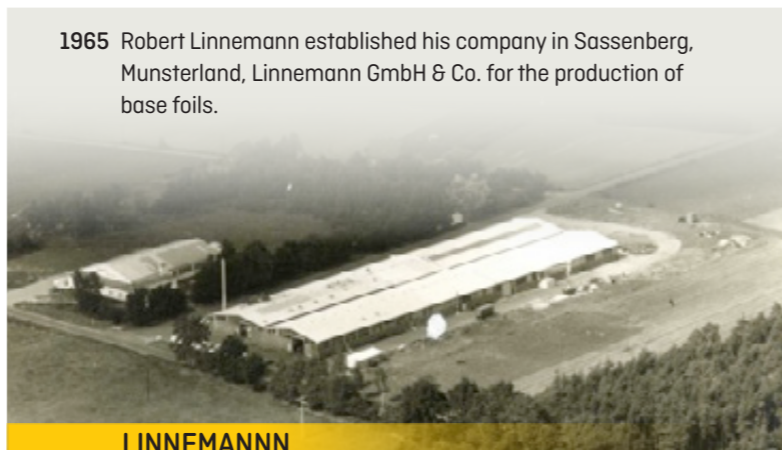
21ST CENTURY

2017

- 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

BAUSCH

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



LINNEMANN

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



DÖLLKEN

- 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 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.



|5| BUSINESS BASED ON SUSTAINABILITY [103-1/2]

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- 16 Sustainability management
- 17 Opportunities outweigh risks
- 18 Focuses of sustainable action
- 19 Equal opportunities for men and women
- 20 Structure, reporting boundaries and changes

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 globalisation open up opportunities but also entail a continuous stream of new challenges. This 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, globalisation requires a higher level of motivation and performance from individuals. This entails social changes that need to be taken account of.

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 and social interests. Synonyms for sustainability are decency, justice, fairness. Sustainable business in companies avoids knowingly disadvantaging third parties.

Sustainability management

Against this background, SURTECO perceives an obligation to act not only in the economic interests of the shareholders but also to conserve resources and protect the environment, to promote a compatible working environment that fosters performance, guarantee respectful relations between individuals and to contribute to campaigns for improving the social climate within the framework of feasible opportunities.

In the areas of environment and product safety, SURTECO works towards continually reducing the relative consumption of water, energy, waste and emission of pollutants. The company also strives to increase the safety of its plants and to improve products on a permanent basis. Each of the 23 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 group-wide risk controlling, analyzed for their level of urgency and relevance, and then appropriate measures are implemented as far as possible.

SURTECO makes efforts to consistently identify and record risks relevant to business over the entire value chain. This is intended to manage the risk potentials from incoming goods through the manufacturing process to outgoing goods and for waste disposal. All the identified and evaluated risks are recorded in the risk portfolio so as to be in a position to determine and manage the potential risks. Improvement measures and the corresponding investment requirement are derived from this. The information including the importance and level of urgency is then submitted to the Executive Management of the Group so that it can reach a decision.

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. All the independent companies within the SURTECO Group are responsible for carrying out the review and they conduct them in accordance with the individual circumstances. All the units of SURTECO are inspected – buildings, warehouses, production facilities, energy supply – for implementation, compliance with and effectiveness of the requirements and the corresponding measures.

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 services are selected, SURTECO prefers to cooperate with companies who 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.

Security Management at SURTECO is carried out in accordance with appropriate risk analyses. This involves intensive analysis of all plants, equipment and machinery for potential malfunctions, faults or operating errors.

The checks carried out at the individual locations comprise analyses of the entire manufacturing process, including the acceptance of raw materials and first-time use of systems, equipment and machines. The causes of all industrial incidents are investigated so that appropriate measures can be derived from the circumstances. The responsible process safety experts are integrated in these deliberations in order to ensure a comprehensive safety evaluation of the events.

SURTECO offers employees the best possible working conditions and pays competitive, market-oriented remuneration based on performance and commensurate with the success of the company. SURTECO provides career development for employees and delivers a sound training to young people.

The objective is also to ensure that shareholders receive a reasonable return for the capital they have invested in the company. The ultimate aim is to strengthen the positive impacts for all other individual stakeholders connected with the company and to exclude any negative effects as much as possible.

Naturally, SURTECO respects compliance with human rights and rejects any form of forced and child labour. Trade union rights and freedom of association are expressly respected, as well as the right to strike and to engage in collective bargaining. Respectful relationships with business partners are equally as important as a well-developed communication culture. All operations of SURTECO involving the processing of paper relate to material manufactured exclusively by FSC-certified suppliers from Europe. The Forest Stewardship Council promotes an environmentally friendly, socially responsible and commercially viable management of forest and woodlands across the world. The FSC is an independent, non-governmental organisation and was established in 1993 as a result of the “Environment and Development” conference in Rio de Janeiro.

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 these products are being reduced and the waste generated is also being cut down. All these factors taken together encompass sustainability.

Nevertheless, there are also risks that need to be minimized and monitored. There are risks

entailed 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 is a group of companies operating in paper and plastics processing on the international stage. 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 production, occupational health and safety – is the long-term return on assets, associated with sustainable corporate growth.

[102-47] **Focuses of sustainable action**

SURTECO focuses 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.

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

The diversity concept of SURTECO SE for the composition of the Board of Management 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 Board of Management and the Supervisory Board. Unfortunately, it has not so far been possible to appoint a qualified woman to the Board of Management or make a proposal for membership of the Supervisory Board although appropriate efforts have been made to achieve this. When members of the Supervisory Board are elected or re-elected, if possible they should not be older than 63 years old. However, an older member of the Supervisory Board was re-elected as a Member of the Supervisory Board in 2014 owing to his special knowledge and many years of experience. There is no explicit maximum age for the Board of Management. 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 2017. This Sustainability Report from SURTECO includes all the Group companies and operational locations, if SURTECO has a shareholding greater than 50 % in these, 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. [102-10] In June of the reporting year 2017, SURTECO acquired 100 percent of the shares in the Portuguese Probos Group. The shareholding of Probos is recognized in entirety in the individually appropriate amounts for reasons of better (and future) comparability for the reporting year 2017 and for the year 2016 – if this contributes to improved understanding.

There are no other restrictions. The presentation of the sustainability fields and 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.

[102-5] Organizational structure on 31 December 2017

SURTECO SE



|6| ECONOMY

SURTECO is continuously engaged in developing the group of companies further. The success is reflected in the gratifying operational development of the business. 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 2017, SURTECO generated an aggregate value (sales less cost of materials, depreciation and amortization, and other expenses) amounting to 216.1 million euros. This value added was allocated to employees, shareholders, and to tax expenses and lenders (interest payments). Around 13.6 million euros were retained in the company.

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

€ millions	2016	2017
Value added	201.3	216.1
Employees (personnel expenses)	158.0	174.5
Shareholders (dividends)	12.4	12.4
Government (taxes)	11.3	7.2
Lenders (interest)	8.8	8.4
Remaining in the company	10.8	13.6



|7| ENVIRONMENT

- 26 Water usage
- 27 Wastewater
- 27 Biodiversity
- 28 Energy consumption
- 28 Emissions into the air
- 29 Noise emissions
- 30 Waste

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.**

Water usage

SURTECO draws approximately 60% of its water from the public water supply grid and around 40% 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 0.203 million cubic metres following 0.218 million cubic metres in 2016. [303-3] Recirculated 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)	2016	2017
Total	217,590	202,586
[303-1] of which from the public water pipeline grid	122,718	127,595
[303-1] of which from rivers or our own wells	94,872	74,991

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 SURTECO Group has two microbiological exhaust-air purification systems. 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. During the reporting year, the volume of wastewater generated by SURTECO amounted to 0.203 million cubic metres compared with 0.218 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)	2016	2017
[306-1/2] Total	217,590	202,586
Wastewater discharged into the drainage system	107,582	102,497
Wastewater discharged through in-house treatment plant	18,479	13,055
Evaporation/unpolluted discharge into rivers	90,877	80,465
Other types of disposal	652	6,569

Biodiversity

[304-1] Most of SURTECO's production sites are located in industrial parks 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 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)	2016	2017
SURTECO	279,046,168	270,998,309
including the Probos Group	291,402,388	283,591,997
[302-1] of which generated internally	81,903,372	85,211,407
[302-2] of which sourced externally	209,499,016	198,380,590

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. This 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. 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.

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 issued by government agencies. SURTECO monitors compliance with these limit values at individual locations by taking its own measurements.

In 2017, the total quantity of greenhouse gases released or caused by SURTECO, i.e. the direct and indirect emissions (known as CO₂ equivalent), amounted to 135,410 metric tons of CO₂ equivalents (2016: 132,700 metric tons).

Most of the indirect emissions of greenhouse gases are caused by external energy purchase, mostly in the form of electricity. Country-specific conversion factors are used for purposes of calculation that 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 resources required and the information gained, additional data on indirect emissions of greenhouse gases other than those recorded (for example due to business trips or as a result of intermediate products) are not collected.

In 2017, particulate emissions in the air reached approximately 7.5 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 inorganic pollutants, such as NO_x (nitrogen oxides) or inorganic emissions such as VOC (volatile organic compounds), amounted to 1,287 metric tons in 2016 and 1,359 metric tons in 2017.

Emissions by the SURTECO Group into the air

	2016	2017
[305-1/2] Greenhouse gases (in mt CO ₂ equivalents)	132,700	135,410
Scope 1	34,093	35,854
Scope 2	80,878	78,292
other greenhouse gases	17,729	21,264
Ozone-depleting gas emissions (in mt)	1,287	1,359
[305-6] Nitrogen oxides (NO _x)	1,098	923
Volatile organic compounds (VOC)	178	429
Carbon monoxide (CO)	11	7
[305-7] Fine-dust emissions (in mt)	7,1	7,5

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.

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 even during the 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 total volume of waste generated by SURTECO reached 24,692 metric tons in 2017. The volumes of waste are recorded separately by type and disposal method. A proportion of the waste (about 5,182 metric tons) was recycled or treated. Only appropriate disposal companies holding a government licence for the specific waste are commissioned with carrying out disposal. Since the limits are very different across the world, the corresponding measured values are summarized in the category "Total waste" in order to avoid distortions.

Volume of waste generated in the SURTECO Group

Waste in metric tons	2016	2017
Total	25,039	24,692
of which recycled	4,196	5,182
of which waste similar to household rubbish	19,313	17,939
of which hazardous waste	1,530	1,571



|8| 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. 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 system,
- 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.

Diversity defines the corporate culture at SURTECO. Employees from 40 different countries are employed within the Group across the world. SURTECO supports employee development through individual and regular training sessions in all Group areas in order to retain the positive, creative effects of this diversity. During the reporting year, employees took part in training and career-development measures on more than 2,000 person days.

[102-7] Employee structure of the SURTECO Group

		2016	2017
Employees	Total number	2,833	3,295
Gender	Man	2,341	2,742
	Women	492	553
Age	up to 29 years	24%	18%
	30 to 49 years	53%	48%
	50 years and older	23%	34%
Nationality	German	65%	51%
	Portuguese	-	8%
	US American	11%	7%
	British	2%	6%
	Brazilian	-	4%
	Turkish	4%	4%
	Canadian	6%	4%
	Swedish	5%	3%
	35 other nationalities	7%	13%

Performance review and improvement

SURTECO guarantees the necessary safety and its continuous improvement with a variety of audits, reviews and checks. Production plants and other 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 2017, 168 occupational accidents with an absence of at least one working day occurred throughout the Group. The number of days of absence reached 4,642 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 and that 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, 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 produces 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, 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 % in 2017 indicates that the procurement of raw materials constitutes the biggest expense item for SURTECO. Around 80 % 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 relating to statutory provisions on unfair competition. In the reporting year 2017, [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 of the organization
102-2	Activities, brands, products and services
102-3	Location of headquarters
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 boundary
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
302-4	Reduction of energy consumption
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 (NOX), sulphur oxides (SOX), 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
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

SURTECO SE

we create.
we innovate.

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