

2021

SUSTAINABILITY REPORT

SURTECO

CONTENTS

|1| Foreword

|2| SURTECO at a Glance

We make rooms worth living in • Diversity for individual aspirations • Global presence

|3| Business based on sustainability

Our understanding of sustainability • Focuses of sustainable management • Sustainability management • Sustainability goals and measures • Opportunities outweigh risks • Structures, reporting boundaries and changes, • Certified production sites • Organizational structure

|4| Environment

Water usage • Wastewater • Biodiversity • Energy consumption • Emissions into the air • Waste

|5| Social

Promotion • Qualified employees • Equal opportunities for women and men • Performance review and improvement • Occupational accidents

|6| Economy

Distribution of value added • Customer orientation • Values, principles, standards and norms of behaviour • Suppliers and service providers • Measures against corruption and breaches of the law

|7| Share of the environmentally sustainable sales revenues, capital expenditure and operating expenses [disclosure in accordance with Article 8 (2) of Directive (EU) 2020/852]

Share of taxonomy-eligible business activities

|1| FOREWORD

Dear Readers,

In 2021, we continued to drive forward our sustainability engagement. In particular, we refined and expanded our sustainability strategy. We raised the target of reducing our CO₂ emissions (Scope 1 and 2) from 30 % to 50 % by comparison with 2019. The use of renewable electricity at our German locations and our first climate-neutral location currently places our attainment at around 44 %. And this was achieved even though the business year witnessed the highest sales in our history, which meant that our actual use of energy naturally increased.

Our paper-processing subsidiary company, Kröning, has been operating climate-neutrally since 2021, and our plastic-edging manufacturer Proadec in Portugal also achieved this status in 2022. Proadec has set itself the goal of reducing its CO₂ emissions by 85 % compared with 2020 by 2025. The roadmap for this involves using non-fossil energy sources, generating electricity with its own photovoltaic system, gradual conversion to solvent-free production and a concept for electromobility. The greenhouse gas emissions that are currently still unavoidable are compensated through climate projects in Brazil and Uganda.

The EU Taxonomy Regulation was also completely new for us in 2021. The EU has established a list of criteria which can make business activities sustainable (taxonomy-eligible) and which also defines the conditions under which these activities are actually sustainable in accordance with the EU definition (taxonomy-aligned). On the basis of these regulations and the current status of the taxonomy, our Group has no taxonomy-eligible sales but we carried out extensive taxonomy-eligible investments and operating expenses in 2021. You can find out more about this in a dedicated section of this report. The in-depth detail of this reporting will be gradually expanded over the coming years.

You will find additional background information in the report and the current status of our corporate strategy. You will see that SURTECO has set itself the goal of keeping our planet “worth living on”.

Wolfgang Moyses
Chairman of the
Management Board

Manfred Bracher
Member of the
Management Board

Andreas Pötz
Member of the
Management Board

|2| SURTECO AT A GLANCE

We make rooms worth living in

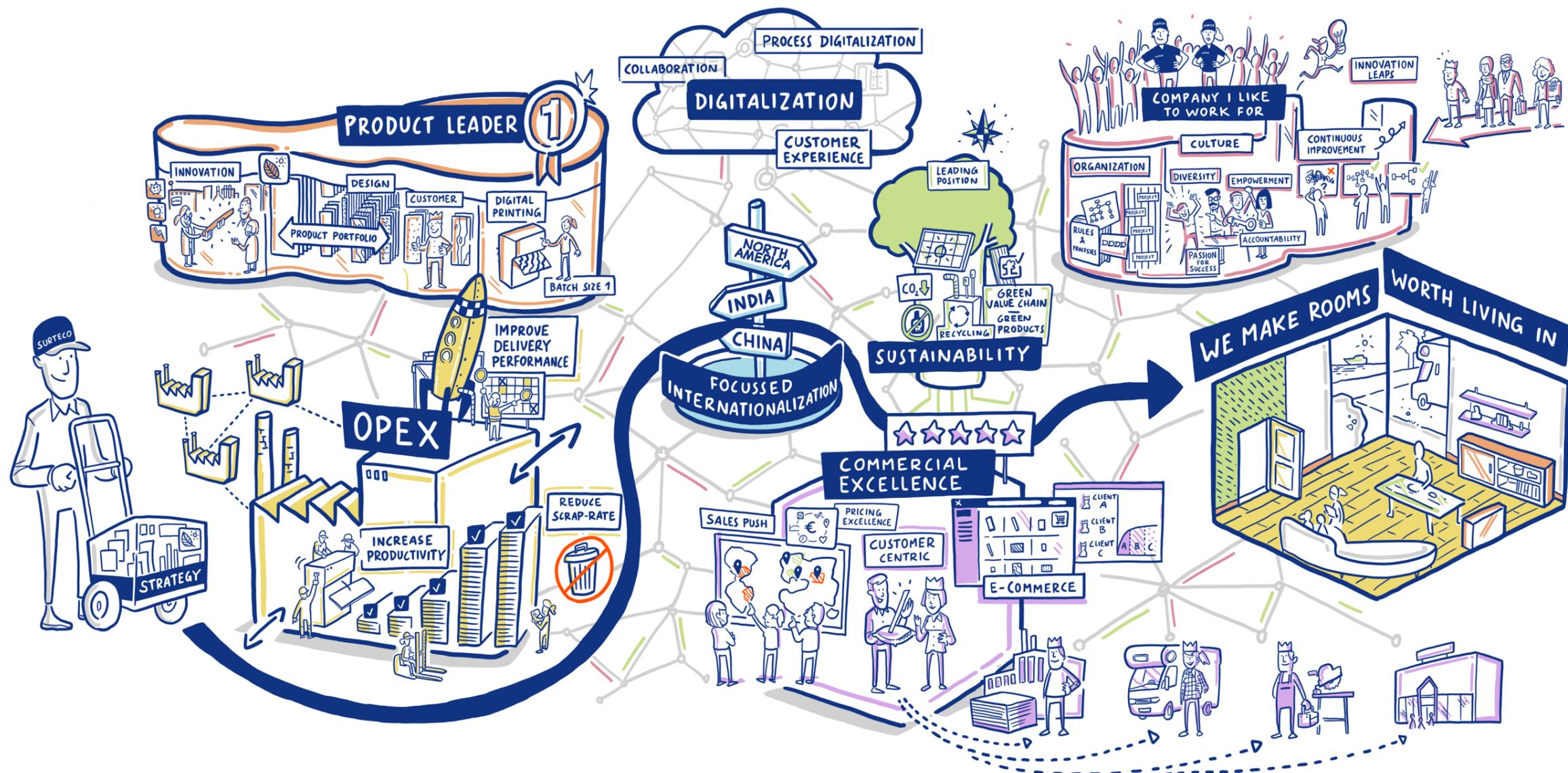
The SURTECO Group (SURface TEchnology COrporation) is one of the world's leading manufacturers of surfaces and technical extrusions (profiles). Customers of SURTECO come from the wood-based, flooring, furniture, kitchen, door and caravan industries. Products are also supplied to the cruise-ship industry, 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 over many years, 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. This is therefore leading to a rising demand for furniture, flooring and interior fittings. That holds true above all 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 provides ideal products for a sanctuary of wellbeing with its surfaces offering visual and haptic appeal.

The strategy of the group of companies with its seven mainstays of product leadership, operational excellence, commercial excellence, digitalization, focused internationalization, sustainability and a corporate culture based on the motto "Company i like to work for" is aligned entirely on the overarching goal: "We make rooms worth living in"



Diversity for individual aspirations

SURTECO produces a wide range of products for domestic use, and for the trade and public sectors. 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. SURTECO's enormous diversity of products gives it a unique selling proposition within the sector. SURTECO offers its customers a broad product range "from a single source". This eliminates complex searches for appropriate products from different manufacturers while also offering a virtually unlimited number of product versions in relation to value, styling, dimensions, decorative design and colour – for any application.

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 visual, haptic and functional attributes. The skirtings offer a perfect transition between flooring and wall.

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.

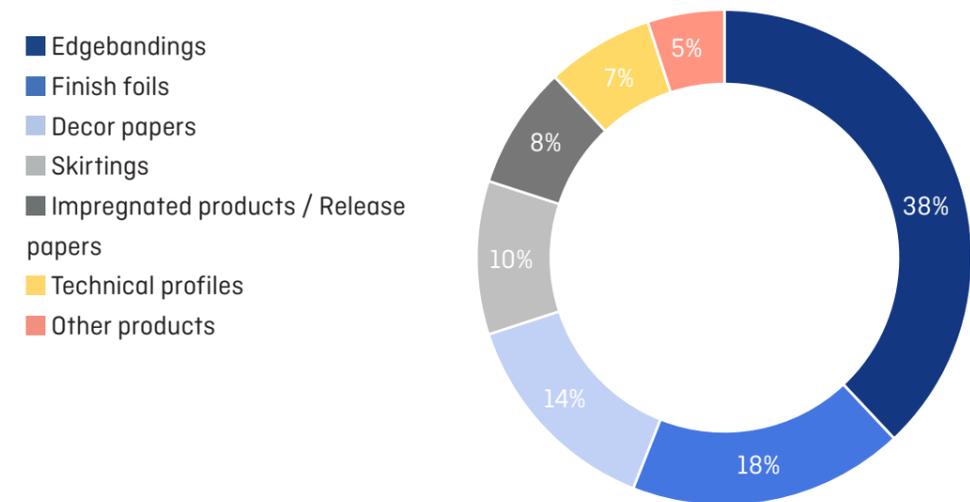
Decorative **impregnated products** from SURTECO are found everywhere, for example on furniture or laminated flooring. They have a tough, abrasion-resistant surface that is extremely resistant to mechanical, thermal and chemical influences. Overlays with a laminate structure from SURTECO give an additional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

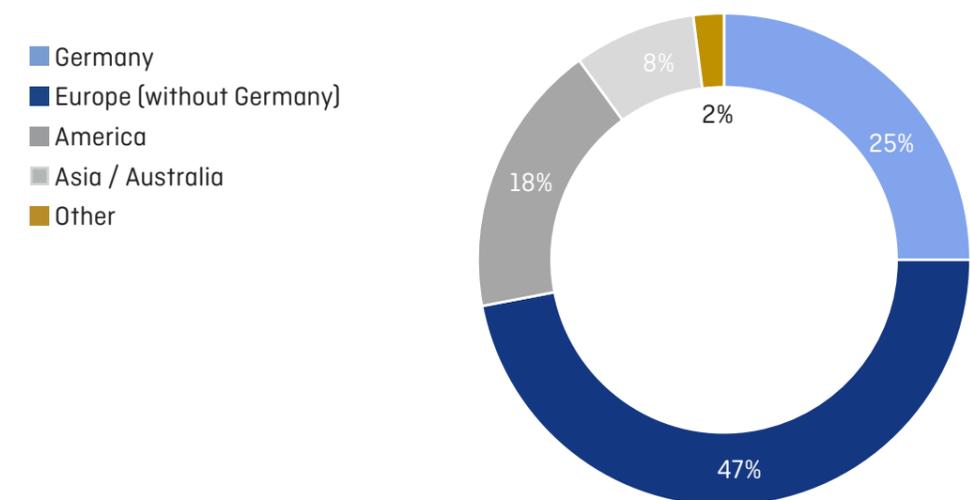
Complete **roller-shutter systems** from SURTECO are widely used by the furniture industry. A broad range of different designs is available as conventionally or digitally printed, or produced with fully laminated finishes.

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

Sales by product group



Sales by regions





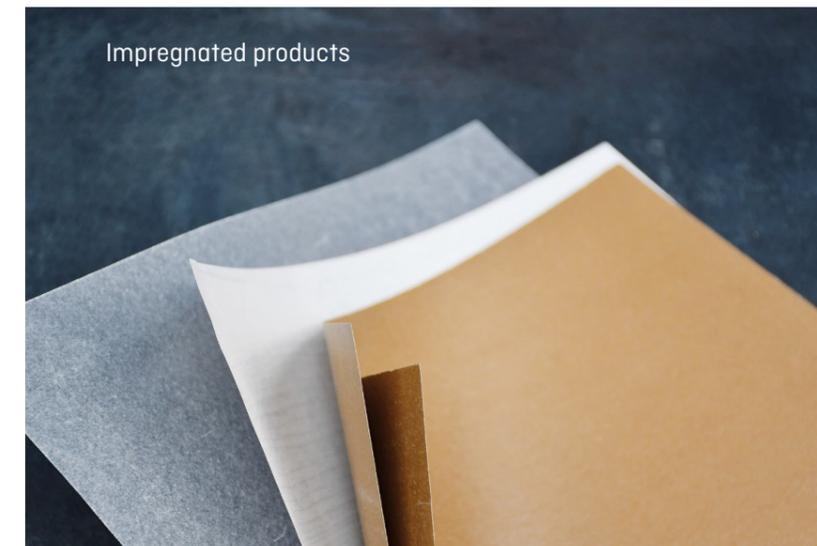
Decor papers



Edgebandings



Release papers



Impregnated products



Skirtings



Finish foils



Roller-shutter systems



Technical extrusions

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. At the same time, the global presence and the comprehensive product range make the company less susceptible to sales fluctuations in individual countries and sectors.



- | | | |
|----------------|----------------|---------------------|
| Europe | | |
| Germany | | |
| France | | |
| United Kingdom | | |
| Italy | | |
| Poland | | |
| Portugal | | |
| Russia | | |
| Sweden | | |
| Czech Republic | | |
| | America | Asia/Oceania |
| | Braszil | Australia |
| | Canada | China |
| | Mexico | Indonesia |
| | USA | Singapore |

|03| BUSINESS BASED ON SUSTAINABILITY

Our understanding of sustainability

Sustainability is an integral component of the corporate strategy. SURTECO perceives an obligation to act not only in the economic interests of the shareholders but simultaneously to conserve the resources of our planet. Acting sustainably entails the need to ensure durably viable development in economic, environmental and social terms. This approach takes account of the needs of current generations today without robbing future generations of the opportunity to fulfil their own aspirations.



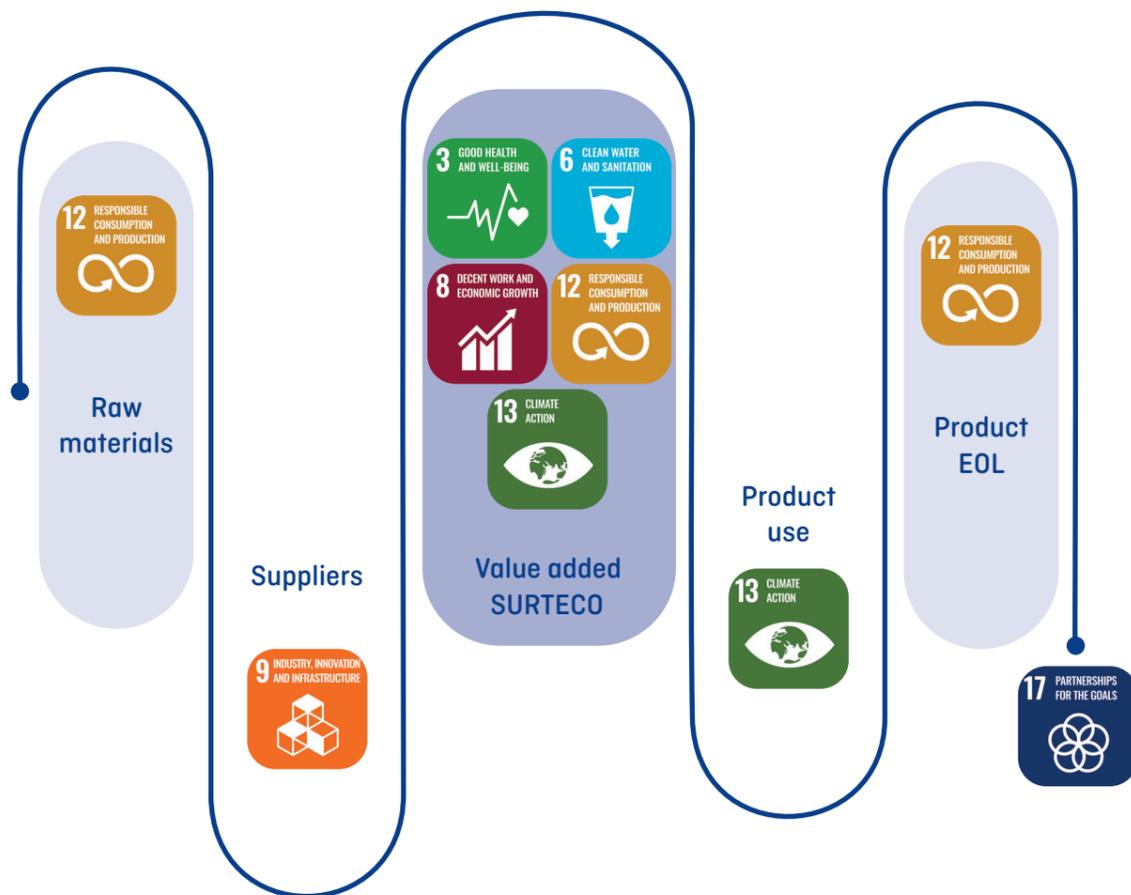
Focuses of sustainable management

By adopting the Sustainable Development Goals (SDGs) of the UN, the community of nations has made a commitment to work together and contribute jointly to improving economic, environmental and social development by 2030. The SDG Agenda is intended to decisively drive forward global activities with a set of 17 Global Goals and 169 targets. The individual goals are linked closely together and exert an influence on each other in a variety of different ways.

SUSTAINABLE DEVELOPMENT GOALS



SURTECO firmly believes that attainment of these goals is the mission of all the societal players involved and is therefore also a mission for commercial enterprises. They provide the framework for what companies have to achieve in order to be able to do business successfully in the future. Without neglecting the perspective of a holistic approach to the goals, SURTECO analyzes the priorities for developing its sustainability strategy in a continuous process. The company evaluated the entire value chain in the course of this procedure. On this basis, six SDGs (3, 6, 8, 9, 12, 13) were identified that SURTECO can exert a major influence on. Partnerships for achieving the targets (SGD 17) complement the strategy..



Sustainability management

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 the areas of product development, Corporate & Operations, value chain, culture and people, and corporate governance. Each of these areas is based on concrete and binding key themes for the long-term orientation of SURTECO.

The sustainability team as the entity with central responsibility for sustainability at SURTECO coordinates and manages the sustainability strategy, and disseminates proposals for targets and measures. Responsible process owners at locations and sustainability managers at each location throughout the world ensure implementation and are responsible for all activities in their businesses with strategic responsibility for sustainable organization of environmental, social and economic aspects.

Corporate Governance

- We ensure that our actions are responsible, honest and transparent on the basis of our values and principles.
- We have a Global Compliance Management System to create a binding action framework for complying with applicable legislation and other statutory regulations.
- We are establishing global cooperation across locations and countries as well as developing effective structures to achieve our sustainability goals.

Products

- We develop responsible products with sustainable material alternatives.
- We promote a circular product concept in order to guarantee sustainable growth.
- We ensure that our products comply with recognized sustainability standards.

Culture and People

- We are committed to diversity, integration and equal opportunities.
- We make a culture of health and safety a top priority.
- We drive forward compliance with social standards and are committed to getting involved in sustainable projects.

Corporate & Operations

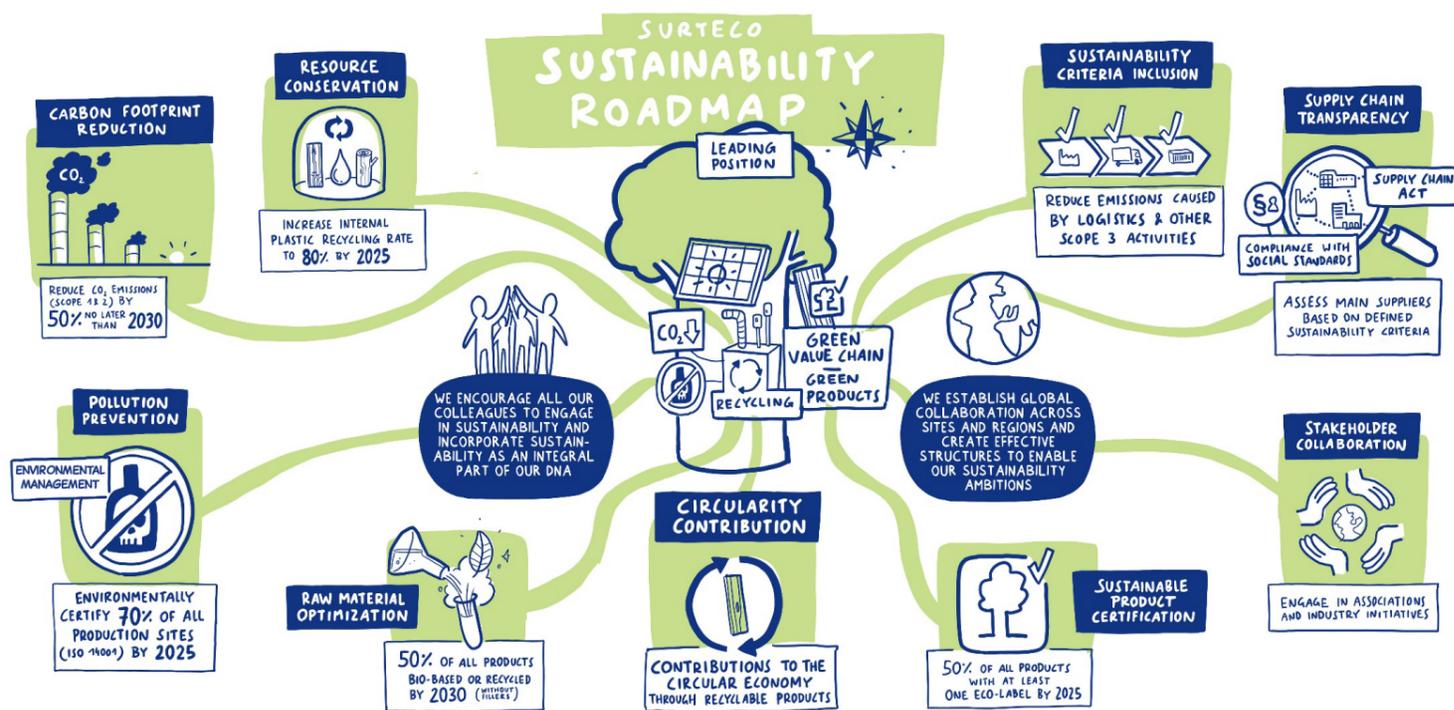
- We reduce our environmental footprint in order to achieve climate neutrality for all business activities.
- We make significant efforts to protect natural resources by conserving energy and raw materials.
- We promote responsible production processes in order to sustainably minimize environmental impacts.

Value Chain

- We initiate collaborations in order to develop sustainable solutions and continue to expand our production leadership.
- We create transparency within the supply chain in order to counteract risks proactively and maximize potential for sustainability.
- We drive forward compliance with our sustainability aspirations within the supply chain.

Sustainability goals and measures

SURTECO has set itself the goal of keeping our planet “worth living on”. To this end, we are protecting our environment, using natural resources sparingly and avoiding or reducing the burden on people and nature. We have raised our goal of reducing CO₂ from 30 % to 50 % by 2030. In the business year 2021, we sourced green electricity at all locations in Germany and zero-emission electricity at some locations abroad. Furthermore, our subsidiary company Kröning in Hüllhorst has been climate neutral since 2021. Hence, our goal attainment is already at 44 %. We want to achieve the objective of zero emission for CO₂ already in 2045.



Furthermore, 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.

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. When materials are procured and service providers are selected, the preference of choice is for SURTECO 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.

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.

Each of the 22 operational locations of SURTECO in the world is reviewed for potential risks and opportunities in respect of 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.

Structure, reporting boundaries and changes

The reporting period is the business and calendar year 2021. 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.

In the business year 2021, the Segment Profiles acquired a location in Germany and further consolidations were carried out for sales companies within the Segment Decoratives. These changes only exert a minimal influence on the indicators. There are therefore no material changes in respect of reporting.

Certified production locations

Country	Site	Quality	Environment	Energy	Occupational Safety	Other	
Germany	Buttenwiesen	ISO 9001	ISO 14001	ISO 50001	ISO 45001	FSC, PEFC	
	Bönen	ISO 9001	ISO 14001	ISO 50001	-	Greenguard, FSC, PFSC, Blue Angel	
	Dunningen	ISO 9001	ISO 14001	ISO 50001	-	Greenguard, FSC, PFSC, Blue Angel	
	Gladbeck	ISO 9001	-	ISO 50001	-	Greenguard	
	Grammetal	ISO 9001	ISO 14001	ISO 50001	-	Greenguard, FSC, PFSC, Blue Angel	
	Halle (Saale)				-		
	Heroldstatt	ISO 9001	-	ISO 50001	-	FSC, PEFC	
	Hüllhorst	ISO 9001	ISO 14001	ISO 50001	-	FSC, PEFC	
	Laichingen	ISO 9001	ISO 14001	ISO 50001	-	PEFC	
	Sassenberg	ISO 9001	ISO 14001	ISO 50001	ISO 45001	FSC, PEFC	
	Willich	-	-	-	-		
	USA	Agawam	-	-	-	-	
		Greensboro	-	-	-	-	
Myrtle Beach		-	-	-	-		
United Kingdom	Ashbourne	ISO 9001	ISO 14001	-	-		
	Stourport-on-Severn	ISO 9001	-	-	-		
Canada	Brampton	-	-	-	-		
Brazil	São José dos Pinhais	ISO 9001	-	-	-		
Portugal	Mindelo	ISO 9001	ISO 14001	-	-		
Sweden	Gislaved	-	ISO 14001	-	-		
Indonesia	Batam	-	-	-	-	Greenguard	
Australia	Sydney	-	-	-	-		

Organizational structure on 31 December 2021



|4| Environment

SURTECO analyzes and manages all areas that could exert negative impacts on the environment and on the efficient use of resources. As part of its sustainability strategy, the following environmental areas have been identified as relevant for the SURTECO Group:

- water and wastewater,
- energy consumption and emissions of air pollutants,
- waste
- materials for internal or external recycling.

Water usage

SURTECO draws approximately 37 % of its water from the public water pipeline grid and around 63 % from wells, or from rivers, 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 0.397 million cubic metres following 0.363 million cubic metres in 2020.

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 (m ³)	2020	2021
Total	363,060	396,797
of which from the public water pipeline	139,244	148,377
of which from rivers or our own wells	223,816	248,419

Wastewater

The water used by SURTECO is treated in different ways according to the amount of pollution. Only minimally contaminated service water is returned to the public drainage system. Some of the more polluted wastewater is purified at the company's own treatment plants and then discharged into the public drainage system or 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. 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 0.101 million cubic metres compared with 0.088 million cubic metres in the previous year. SURTECO did not record any unintentional releases during the course of the reporting year.

Wastewater from the SURTECO Group		
in cubic metres (m ³)	2020	2021
Wastewater discharged into the drainage system	87,597	101,079

Biodiversity

The majority 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 there. 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.

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.

Energy consumption of the SURTECO Group		
Kilowatt hours (kWh)	2020	2021
Total	217,651,406	237,741,951
of which generated internally	107,730,072	117,592,863
of which sourced externally	109,921,334	120,149,088

Energy consumption arises partly from the use of primary energy fuels such as natural gas or heating oil and by sourcing external energy, primarily in the form of electricity. Photovoltaic plants at our locations in Portugal and Australia generate solar electricity. The quantity produced in 2021 amounted to 526,040 kWh after 508,634 kWh in 2020. In addition, renewable energy is sourced from external providers. In the business year 2021, the German locations of the Group purchased electricity generated exclusively from renewable energy. Informative disclosures on energy intensity across the Group – 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 2021 rose by 9.2 % throughout the Group at SURTECO to 237.7 million kilowatt hours (kWh) after 217.7 million kWh in the previous year.

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 CO₂ caused directly (Scope 1) arises as a result of the combustion of fossil energy sources in 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.

The indirect emission of CO₂ is caused by external energy purchase in the form of electricity (Scope 2). Either the emission factors 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. Indirect emissions of greenhouse gases (Scope 3), for example from business trips or as a result of intermediate products, are seriously estimated at present. The company is currently developing a definition of a science-based target for Scope 3 emission.

The total volume of CO₂ emitted by SURTECO or caused by its operations, including direct and indirect emissions amounted to 29,820 metric tons of CO₂ in 2021 (2020: 46,720 metric tons).

Conversion of the purchase of electricity at the German locations to exclusively renewable energy has resulted in emissions being substantially reduced.

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 311 metric tons in 2020 and 428 metric tons in 2021. These values were calculated from site-specific data.

Emissions of the SURTECO Group into the air		
	2020	2021
Greenhouse gases (in mt of CO ₂)	46,720	29,820
Scope 1	17,165	17,841
Scope 2	29,555	11,979
Other significant air emissions (in mt)		
VOC	311	428

Waste

The commercial 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. In the business year 2021, 8,343 metric tons were returned to the internal production process. This primarily relates to plastics, which were collected by type and then shredded (recyclates). The proportion of recyclates in the overall consumption of plastics corresponds to the plastics recycling rate. 9,835 metric tons of waste are used for external recycling and disposed of as appropriate.

The increase in hazardous waste results from a site's wastewater, which was classified in a higher hazard level and since then is disposed of as hazardous waste.

Only appropriate disposal companies are commissioned with carrying out disposal of specific waste. The total volume of waste generated by SURTECO (excluding internally recycled waste) amounted to a total of 31,835 metric tons in 2021 after 24,425 metric tons in 2020.

Volume of waste generated in the SURTECO Group

Waste in metric tons	2020	2021
Total	24,425	31,835
Hazardous waste	927	6,627
Non-hazardous waste	13,282	15,373
External recycled waste	10,216	9,835

|5| Social

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 healthier and more 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. During the reporting year, 1,620 employees took part in various training and career development measures over 30,399 hours.

On 31 December 2021, group-wide fluctuation amounted to 11.0 % after 8.7 % in the previous year. The average length of service was 12.1 years worldwide in 2021 [2020: 12.8] and the average age of all employees amounted to 41.8 years after 42.7 years in the previous year.

Employee structure of the SURTECO Group

		2020	2021
Employees	Total number	3,052	3,165
Gender	Men	2,518	2,607
	Women	534	558
Age	up to 29 years	17%	18%
	30 to 49 years	47%	46%
	50 years and older	36%	36%
Nationality	German	49%	47%
	Portuguese	9%	8%
	Brazilian	7%	8%
	US American	5%	5%
	British	5%	5%
	Canadian	4%	4%
	Swedish	4%	3%
	Turkish	3%	3%
	32 other nationalities	14%	17%

Equal opportunities for women and men

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 of age. 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 election to the Supervisory Board or appointment to the Management Board. This focuses particular attention on the occupational background and the specialist qualification of the candidates.

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. Insofar, the number of occupational accidents can be continuously reduced, even if they cannot be entirely avoided.

During the course of the reporting year 2021, 131 occupational accidents occurred worldwide for 5,463,853 hours worked. This corresponds to a quota of 23.98 accidents for each 1 million working hours.

|6| Economy

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. 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 2021, SURTECO generated an aggregate value added (sales and other expenses less cost of materials, depreciation and amortization) amounting to around 250 million euros. This value added was allocated to employees, shareholders, and to tax expenses and lenders (interest payments). Around 35 million euros were retained in the company.

Value added and allocations to the stakeholders of SURTECO

€ millions	2020	2021
Value added	210.3	250,1
Employees (personnel expenses)	162.6	175,2
Shareholders (dividends)	0	12,6
Government (taxes)	9.5	22,2
Lenders (interest)	4.8	4,7
Remaining in the company	33.4	35,4

Customer orientation

SURTECO maintains permanent contact with its customers. 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:

- 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.

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 its Code of Conduct. It 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. This has been assisted by translating the Code into all national languages relevant for SURTECO. The standards and norms of behaviour are complemented by objective guidelines that are communicated as part of the Compliance Management System.

Suppliers and service providers

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 49.4 % in 2021 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.

Measures against corruption and breaches of the law

SURTECO has issued a guideline for measures relating to anti-corruption in the entire Group as part of the Compliance Management System. A training concept is currently in the implementation phase. to provide department-specific content such as raising awareness of anti-corruption, conflicts of interest, antitrust and competition law and money laundering, alongside general compliance training.

Risks of corruption at SURTECO are investigated as part of the internal audits carried out on a continuous basis. Furthermore, SURTECO has set up a whistleblower system at all locations throughout the world to give employees inside and outside the company an opportunity to report breaches anonymously. Up to now, no business transactions have been identified that would have provided any occasion for initial suspicion. 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.

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. 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 2021, 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.

|7| Share of the environmentally sustainable sales revenues, capital expenditure and operating expenses

Disclosure in accordance with Article 8 (2) of Directive (EU) 2020/852

As part of the European Union action plan "Financing sustainable Growth", the Taxonomy Regulation came into force in 2020. It forms the foundation for the assessment criteria defining business activities as environmentally sustainable and lays down the regulations for reporting by the companies subject to reporting requirements. This is the first report drawn up by the SURTECO Group in accordance with this regulation. In the year of first-time application, the company is reporting on the share of taxonomy-eligible sales revenues, investments and operating expenses in the company, i.e. which business activities can be considered as sustainable. Over the coming years, the company will report in detail on the share of taxonomy-aligned business activities.

The SURTECO Group primarily operates in the field of surface technology for wood-based and furniture industries, and in interior design. The main products manufactured by the Group are not reflected in the technical assessment criteria for sustainable economic activities. As part of the analysis of all manufactured products using the NACE Codes, one taxonomy-eligible product was identified. This consists of extruded LED tapes that are manufactured for particularly demanding applications. However, the share in total sales for this product is in the range of thousandths and can therefore be regarded as negligible. Insofar, the share of taxonomy-eligible sales in the Group amounted to 0 % of total sales in the business year 2021 of € 000s 757,060. The turnover with non-taxonomy-eligible activities is 100%. Sales are calculated during the course of drawing up the consolidated financial statements in conformity with IFRS.

The share of taxonomy-eligible investments in the business year 2021 was € 000s 523 (1.4 %). This essentially relates to investments in the vehicle fleet and buildings. The benchmark value for the investments can be calculated from the consolidated financial statements by the addition of property, plant and equipment, intangible assets and rights of use, and amounted to € 000s 37,090 in the business year 2021. The proportion of non-taxonomy-eligible investments is therefore € 000s 36,567 (98.6 %).

The taxonomy-eligible operating expenses in the SURTECO Group primarily result from non-capitalized costs for taxonomy-eligible operating expenses such as building refurbishment measures, maintenance and repair of the vehicle fleet, or installation of energy-efficient equipment. In the business year 2021, their share of operating expenses was € 000s 2,088 (9.6 %). Total operating expenses are made up of maintenance and repair costs, current leasing and vehicle costs, and they amounted to € 000s 21,822 in the business year 2021. The proportion of non-taxonomy-eligible operating expenses is therefore € 000s 19,734 (90.4 %).





CONTACT

Martin Miller

Investor Relations and Press Office

T: +49 8274 9988-508

F: +49 8274 9988-515

ir@surteco.com

www.surteco.com

SURTECO GROUP SE

Johan-Viktor-Bausch-Straße 2

86647 Buttenwiesen