

**SURTECO
GROUP**



we create.
we innovate.



2018



Sustainability Report

|1| FOREWORD

Dear Readers,

[102-14]* As an international company operating on the global stage, changes in the framework conditions are unfolding with increasing speed and ever more tangibly. Changes in the approach to demand by our customers, the production conditions and the prices of our raw materials and intermediate products underwent change to an unforeseen extent in 2018.

This brought with it a series of new factors determining the course of our business and provided additional tasks particularly in relation to our economic sustainability. We took account of these challenges in a number of areas without compromising our environmental sustainability and our social responsibility. At some points, the situation required a squaring of the circle, but the overall result is very satisfactory.

In the business year 2018, we were continuously working on our sustainability performance. Once again, we achieved greater efficiency in many areas and as a consequence we used less energy and fewer materials relatively speaking. At the same time, changes in demand reduced overall consumption. And we were even able to roll out a number of projects to implement greater sustainability as outlined in the "Innovations" section. As announced last year, this progress enabled us to successfully concentrate our focus on innovations and material efficiency directed towards strengthening our future economic capability.

* See reference to GRI indicators on the last page



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



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

The developments in the marketplace presented us with new challenges that we responded to by modifying our strategic alignment. Most importantly, this included realigning the structure of our Group. We amalgamated our three biggest German subsidiaries to form an even more powerful unit and merged the production companies for technical extrusions (profiles) and skirtings in Germany.

As part of this restructuring, we no longer organize our sales operations by products but by sector and customer group. This should result in customers being able to identify quickly which products will yield the greatest benefit for them. Our customers will simultaneously benefit from even more tailor-made solutions as a result of the new structures at SURTECO.

We will continue to attempt to put the entire Group on a sustainable footing. This cannot be achieved overnight and many individual steps need to be taken in order to achieve this objective. We have already made some progress and the process will involve a lot more additional stages. Further substantial commitment and dedication will be applied to this challenge during the year 2019.

Dr.-Ing. Herbert Müller
CEO

Dipl.-Kfm. Andreas Riedl
CFO

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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 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 shipping industry, artisan craft businesses and the retail trade for private purchasers.

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

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 activities of its Group companies on the basis of a sector-oriented approach.

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

Against this background, SURTECO with a high level of market penetration is able to satisfy virtually all the requirements of manufacturers for decorative and functional surface materials. At the same time, the union between premium products and excellent service makes the Group less susceptible to volatility in individual countries and sectors, as well as acting as a barrier against seasonal fluctuations.

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 manufacture. SURTECO manufactures products at locations in its most important sales countries and organizes sales for world-wide 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 products manufactured by the group of companies 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. Home-improvement and do-it-yourself stores are also customers of SURTECO.





|3| INNOVATIONS FOR MORE SUSTAINABILITY

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

Protecting resources with TECOSMART

TECOSMART foils are innovative self-adhesive foils based on paper, in other words they are made from renewable raw materials. This product enables ideas for living to be put into practice quickly and easily, without having to purchase new furniture and dispose of discarded furniture. On the one hand, this means that TECOSMART conserves resources and energy, and on the other hand that TECOSMART is ideal for flexible and free design. You are therefore able to transform existing furniture into new furniture and this makes a significant contribution to conserving resources and avoiding waste. Furthermore, TECOSMART permits additional creative uses.

After all, TECOSMART foils are not only suitable for refining furniture. A large selection of decors is able to transform all smooth surfaces in a domestic setting – with homely wood decors, through classic slate and elegant marble decors, to metal decors in an industrial style. TECOSMART also facilitates technical functions, for example an anti-fingerprint effect or a whiteboard function for office settings or children's rooms.

At the same time, TECOSMART is extremely robust and resilient. For example, no damage is inflicted by acidic or alkaline fluids, nothing used or processed in the kitchen can cause wear and tear to the foil. Even chemical substances like acetone or nail-varnish remover cannot impinge on the surface. A further advantage is that even strong sunlight does not cause bleaching of the foils because they are nonfade.

In any case, TECOSMART requires much less material and energy than substituting the affected furniture or the procurement of alternatives, for example of a whiteboard (www.tecosmart.de).

Lifecycle analyses based on sustainability aspects

SURTECO always focuses on sustainable aspects in product development and product upgrading. A review was therefore carried out in the Group to ascertain which materials were most environmentally friendly for the manufacture of plastic edgebandings. There was a choice between the petroleum-derived plastic acryl nitrile butadiene styrene (ABS) – available as a new material and as a reprocessed recyclate – and the natural-sourced material polylactide (PLA) or also polylactic acid.

The entire value chain was analyzed from production of the materials, through transport, processing and use, to recycling and disposal. The level of environmental compatibility was assessed on the basis of the criteria of greenhouse gas potential, primary energy consumption, water usage and the hazard presented by any waste.

Ultimately, the ABS recyclate provided the most impressive profile both from environmental and qualitative standpoints because the original energy-intensive manufacturing process (elimination of petrochemical upstream chains) was no longer applicable here. Although PLA is derived from natural vegetable starch (for example maize, potatoes, beets), the derivation requires a lot of water and a great deal of energy is used in production. Another factor is that PLA competes with the production of foodstuffs.

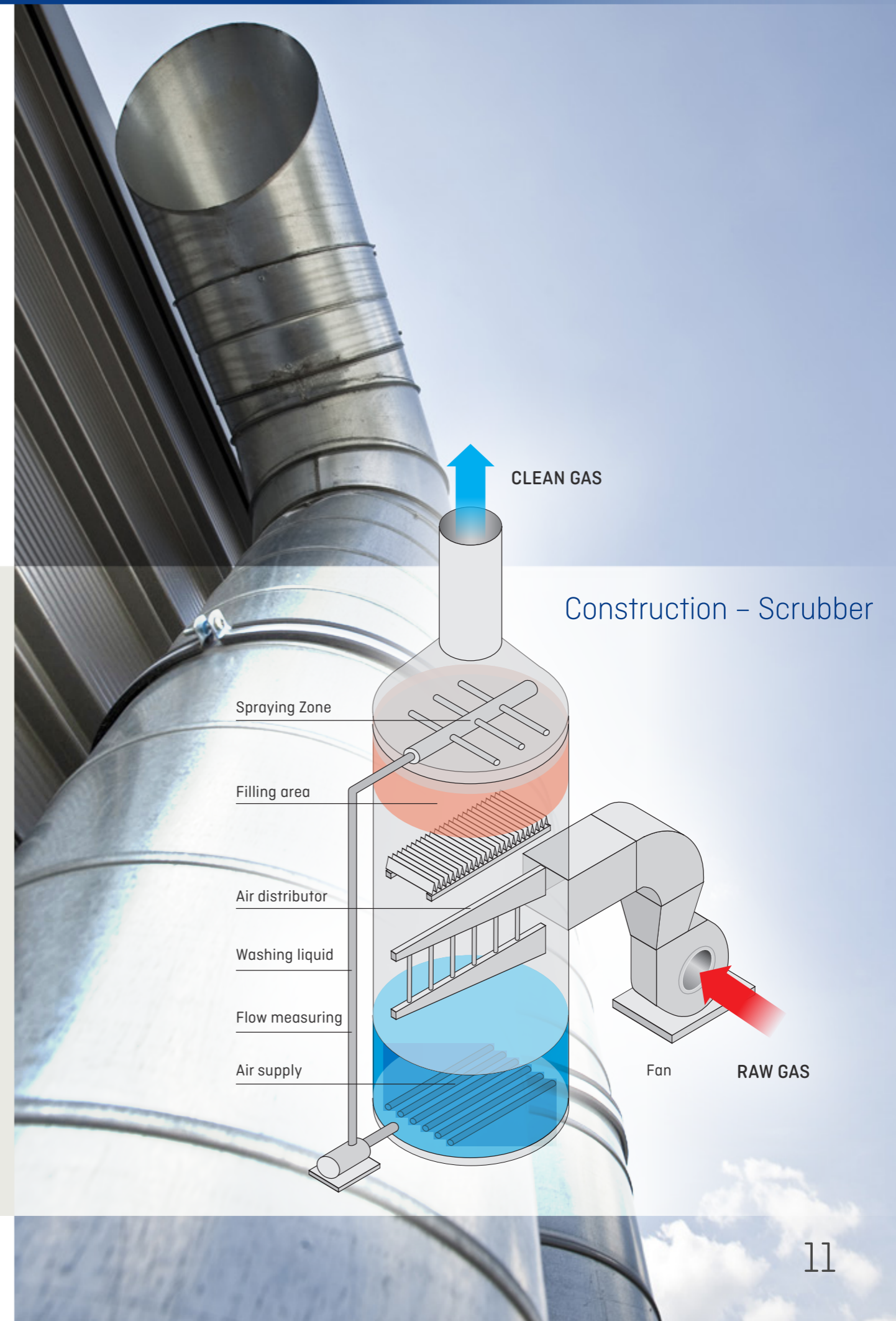
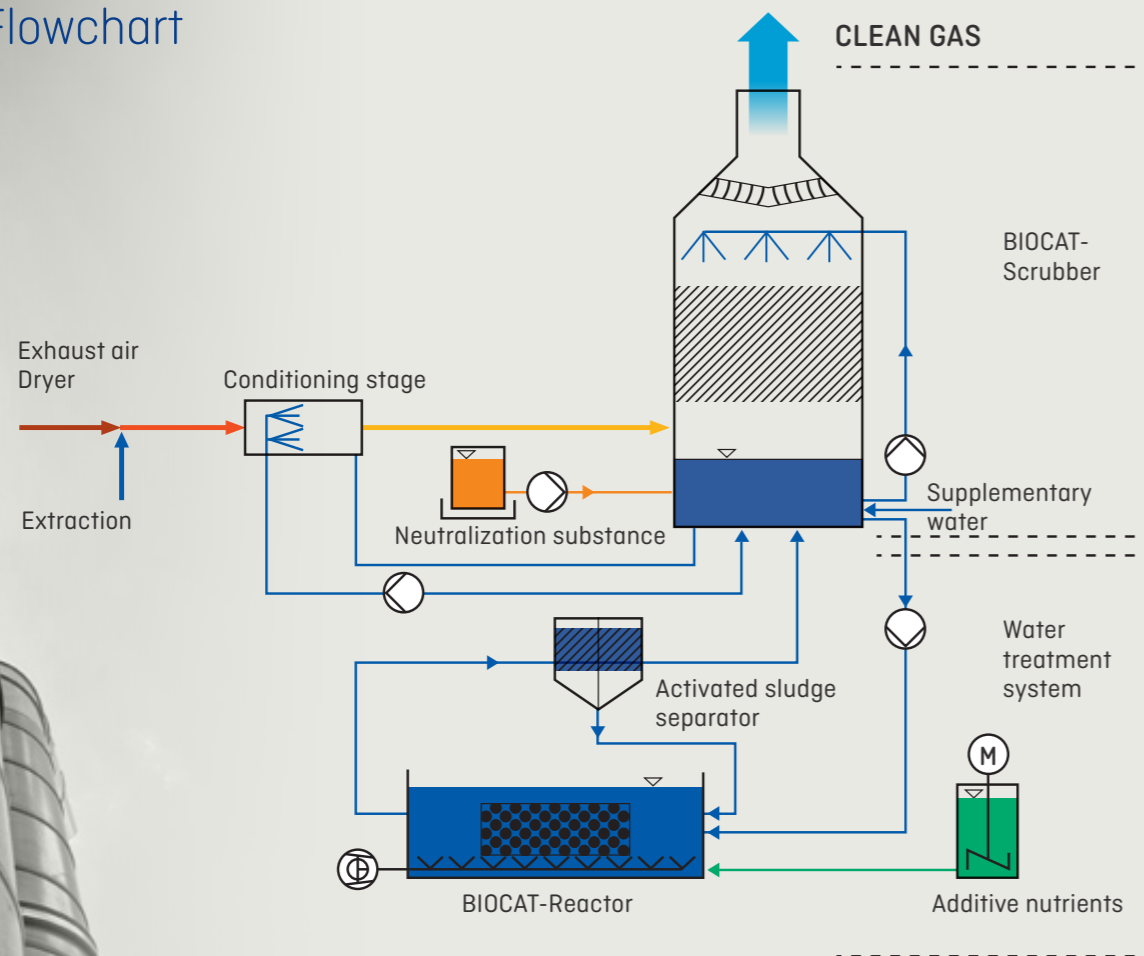
Biological exhaust-air treatment

A broad spectrum of procedures is available for complying with mandatory standards for the treatment of exhaust air from production operations which give rise to substances damaging to the environment and injurious to health during the course of production, for example formaldehyde. Thermal procedures are generally used in which organic pollutants (hydrocarbons) oxidize at temperatures in excess of 750°C and thereby lose their effect. Yet there are also significantly more sustainable procedures such as those used at SURTECO.

Microorganisms (bacteria, yeasts, fungi and maggots) are used for biological and efficient exhaust air treatment. They are "fed" with exhaust air from the production process and then convert this to water and CO₂. The mode of operation is comparable with a biological wastewater treatment plant.

Hot exhaust air polluted with organic materials like formaldehyde may reach temperatures up to 200°C. This air is discharged from the drying zones used at SURTECO for impregnation of foils and is conducted to the exhaust air treatment plant. In the conditioning stage (see diagram), the exhaust air is cooled to the optimum temperature by spraying with washing liquid.

Flowchart



Some of the pollutants included in the exhaust air are already separated out in the conditioning stage. The washing liquid absorbs water-soluble organic substances. Part of the washing water polluted with these materials is conducted to the reactor. The microorganisms there carry out biological oxidization of the wastewater pollutants and achieve their maximum breakdown capacity in the temperature range of 25°C to 40°C. The clean air produced is then discharged to the outside.

The exhaust air generated in the production process carried out at the SURTECO site in Sassenberg was already being treated with a biological system. However, the capacity of this process had meanwhile been exceeded. This system is now being replaced with a new biological system which achieves significantly improved exhaust-gas threshold values. As at the Buttenwiesen site, SURTECO decided – also from an environmental point of view – to once again opt for the biological system in Sassenberg. This is because thermal combustion consumes a great deal of energy, whereas biological exhaust-air treatment only uses fresh water. In Buttenwiesen, the fresh water was sourced from the River Zusam and in Sassenburg water is taken from the public water grid.

The difficulty associated with the biological system is the limited amount of data available based on experience. This includes information on the type of microorganisms that can be used, the level of formaldehyde concentrate that is acceptable for the microorganisms and the dimensions necessary for the container. Not least for this reason, SURTECO is the only company in the sector that uses an exhaust air treatment system of this nature. However, the positive environmental effect justifies this expense.

Advantages of biological exhaust-air treatment

- No additional emission of secondary emissions [for example CO₂, SO₂, NO_x, dioxins]
- High degree of efficiency for odour and pollutant separation
- High level of plant availability and operating safety
- Reliable compliance with clean gas values
- Low maintenance and operating involvement
- Low energy costs for example by heat recovery
- Low operating costs
- Low space requirement
- Modular and consequently versatile overall concept
- Modified design
- Negligible biomass production
- No generation of waste heat

GREENGUARD GOLD Certification for all Döllken edgings

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



Conservation of resources by Closed Loop Recycling

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



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

We draw up comprehensive environmental footprints for our products and this enables us to obtain reliable data on all local, regional and global environmental impacts. This allows us to continually optimize Döllken edgings, evaluate new materials, reduce emissions and conserve natural resources.



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

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

Packaging from FSC-certified recycled cardboard

SURTECO GmbH uses FSC-certified recycled board for its cardboard packaging. As a result of the continuous packaging optimization, savings of more than 30 % of plastic foil have been made following the continuous optimization of packaging since 2015.

|4| COMPREHENSIVE PROGRAMME FOR ANY APPLICATION

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

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

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

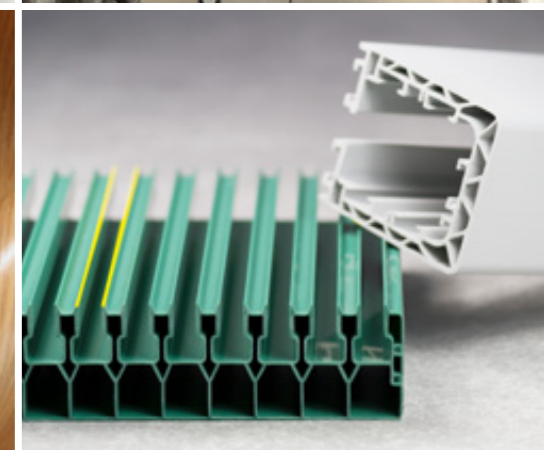
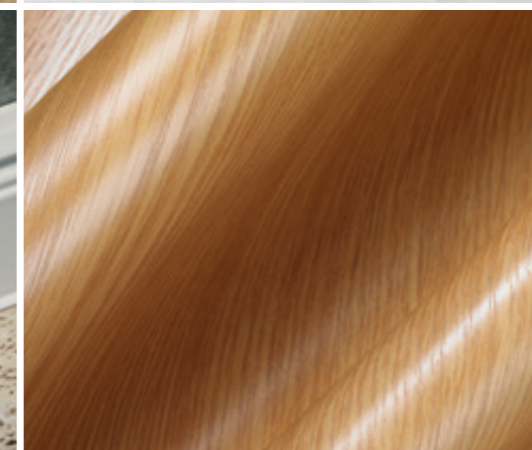
Skirtings complete the flooring product range. SURTECO is a reliable partner for specialist flooring wholesalers and for professional floorlayers. The spectrum of products comprises skirtings, stair edges, transition rails and all the accessories required for laying floors.

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

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

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

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



EXTREMELY VERSATILE APPLICATION OPPORTUNITIES FOR SURTECO PRODUCTS

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

And decors from SURTECO also bring floor coverings to life. These include laminate floorings with decor papers, plastic skirting strips and skirtings with paper-based wrapping foils, and transition rails with wrapping foils in premium AC3 quality.

Sales by product group	2017	2018
Edgebandings	35%	37%
Foils	20%	19%
Decor papers	14%	13%
Impregnated products	12%	10%
Skirtings	7%	7%
Technical extrusions	5%	5%
Release papers	4%	4%
Other products	3%	5%

Sales by region	2017	2018
Germany	25%	24%
Europe (without Germany)	46%	47%
America	20%	20%
Australia	5%	5%
Asia	3%	3%
Africa	1%	1%



Rear panel

Coating
Backing foil

Top

Overlay
Haptic surface
Release paper



Side panel

Laminated board
Melamine film
Decor paper
Self-adhesive foil

Door

Finish foil
(paper /plastic based)
Fully impregnated foil
Pre-impregnated foil

Edge

Paper / plastic based
Straight edge
Softforming edge
Fold edge

Skirting

Wrapping foil
(fully impregnated or
preimpregnated) ba-
sed on paper



Transition rail

Wrapping foil
with AC3 quality

Laminate flooring

Decor paper
Design „Harbour Oak“

|5| COMPANY HISTORY

1871

Foundation

of fine paper mill
Felix Schoeller
and Bausch
in Neu Kaliß

1887

Foundation

of timber
merchand
W. Döllken & Cie
in Essen

1965

Foundation

of Linnemann
GmbH & Co.
in Sassenberg

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

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

|5| COMPANY HISTORY

1871

19TH CENTURY



BAUSCH

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

AFTER THE SECOND WORLD WAR

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

AFTER REUNIFICATION

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

21ST CENTURY

2019

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

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



LINNEMANN

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

After 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.



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




DÖLLKEN

|6| BUSINESS

BASED ON SUSTAINABILITY [103-1/2]

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

Our understanding of sustainability

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

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

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

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

Sustainability management

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

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

Each of the 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. The inspection of operational locations is carried out at regular intervals and is conducted in accordance with local conditions and incorporates any changes that have taken place at local level.

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

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.

Risks are 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 perceives its social responsibility as the key factor for success

.....

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

.....

[102-47] Focuses of sustainable action

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

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

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



[102-22] Equal opportunities for men and women

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

A guiding principle is that when members of the Supervisory Board are elected or re-elected, if possible they should not be older than 63 years old. There is no explicit maximum age for the Management Board. A competence profile is used when looking for suitable candidates for appointment or election to the Supervisory Board or Management Board. This focuses particular attention on the occupational background and the specialist qualification of the candidates.



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

SURTECO has based the structure of this report and presentation of the individual sustainability topics and action areas on the matrix of the Global Reporting Initiative [GRI]. The reporting period is the business and calendar year 2018. 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. Deliberate restrictions are not made in this report. The presentation of the sustainability fields and sustainability activities covers all the key issues for SURTECO. This report was prepared with the greatest possible care and following a detailed audit. SURTECO intends to present a well-balanced picture of its sustainability efforts on this basis.

[102-10] In the business year 2018, the Group started to restructure its internal organization. This involved the amalgamation of some companies. However, the integration exerted no impact on the consolidated figures of the report.



[102-5] Organizational structure on 31 December 2018

SURTECO GROUP

DECORATIVES		TECHNICALS	PROFILES
SURTECO GmbH		SURTECO Investments	DÖLLKEN Profiles
BauschLinnemann North America	SURTECO Australia	Kröning	DÖLLKEN Poland
SURTECO UK	SURTECO Asia	DAKOR	DÖLLKEN Czechia
SURTECO Italy	SURTECO France	Gislaved Folie	NENPLAS-GROUP UK 85%
SÜDDEKOR USA	SURTECO Turkey		
SURTECO art	SURTECO Russia		
SURTECO USA/ Canada	SURTECO Spain		
CANPLAST Mexico 50%	PROBOS Portugal		
	PROADEC Brazil		
	PROADEC UK		
	CHAPACINTA Mexico		

|7| ECONOMY

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

Distribution of value added

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

In the business year 2018, SURTECO generated an aggregate value (sales less cost of materials, depreciation and amortization, and other expenses) amounting to around 220 million euros. This value added was allocated to employees, shareholders, and to tax expenses and lenders (interest payments). Around 6 million euros were retained in the company.

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

€ millions	2017	2018
Value added	216.1	219.5
Employees (personnel expenses)	174.5	185.3
Shareholders (dividends)	12.4	12.4
Government (taxes)	7.2	8.2
Lenders (interest)	8.4	7.5
Remaining in the company	13.6	6.1

|8| ENVIRONMENT

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

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

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

SURTECO uniformly recorded consumption and emission data for the first time throughout the Group in the business year 2017. Reporting lines and standards were defined for this purpose. This process of data collection was included with current restructuring and integration processes. This revealed problems relating to delimitation which have been eliminated in the context of the current data survey for the business year 2018. As a consequence, there were shifts in the individual consumption and emission categories. However, this did not exert a notable influence on the overall values for the Group. Items that recently underwent correction are indicated appropriately in the text and in the tables.

Water usage

SURTECO draws approximately 78 % of its water from the public water pipeline grid and around 22 % 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 0.186 million cubic metres following 0.203 million cubic metres in 2017. [303-3] A reduction in the comparatively water-intensive processing of paper products was essentially responsible for this decline and this in turn was due to a corresponding reduction in demand. 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)	2017	2018
Total	202,586	186,154
[303-1] of which from the public water pipeline	127,595	144,816
[303-1] of which from rivers or our own wells	74,991	41,338

Wastewater

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

The group of companies has 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 0.145 million cubic metres compared with 0.126 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)	2017*	2018
[306-1/2] Total	126,252	144,725
Wastewater discharged into the drainage system	102,497	113,502
Wastewater discharged through in-house treatment plant	15,862	17,331
Evaporation/unpolluted discharge into rivers	2,517	5,909
Other types of disposal	5,376	8,003

* Value for the previous year adjusted

Biodiversity

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

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

Energy consumption

The plants of SURTECO require energy, primarily in the form of electricity for production (power units used for extruders, printing machines, calenders, agitators, pumps, other process equipment, and measuring and control technology) and in the form of natural gas for heat generation and for operating drying 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)	2017	2018
Total	283,591,997	256,097,942
[302-1] of which generated internally	85,211,407	143,757,214
[302-2] of which sourced externally	198,380,590	112,340,728

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.

Owing 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 2018 fell throughout the Group at SURTECO to 256.1 million kilowatt hours (kWh) after 283.6 million kWh in the year before. A substantial proportion is based on the fall in the volume of paper processing because there is significantly less demand for these products among customers. The processing of products containing paper uses significantly more energy owing to the drying processes compared with the processing of plastic-based products.

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 the business year 2018, air pollution thresholds were slightly exceeded at one location (the responsible authorities

were informed about this) because the biological exhaust-air treatment system there had reached the limit of its capacity. This system was replaced by a modern biological exhaust-air treatment system that once again complied with the thresholds effortlessly.

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

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

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

The total volume of greenhouse gases emitted by SURTECO, including direct and indirect emissions (so-called CO₂ equivalent), amounted to 80,584 metric tons of CO₂ equivalents in 2018 (2017: 114,146 metric tons). The significant decline was primarily due to demand. Sales in SURTECO's most energy-intensive paper-based companies were 4 % less in the year under review than in the previous period. In addition, more efficient production processes required less energy and therefore additionally reduced the emission volume of greenhouse gases.

In 2018, particulate emissions in the air reached approximately 7.0 metric tons. Substances with the potential for ozone depletion are used exclusively in closed systems, mostly in cooling systems. Most of the coolants used by SURTECO do not have any ozone-depleting potential. Other significant emissions of inorganic pollutants, such as NO_x (nitrogen oxides) or organic emissions such as VOC (volatile organic compounds), amounted to 441 metric tons in 2017 and 488 metric tons in 2018.

Emissions of the SURTECO Group into the air

	2017*	2018
[305-1/2] Greenhouse gases (in mt CO ₂ equivalents)	114,146	80,584
Scope 1	35,854	41,975
Scope 2	78,292	38,609
[305-6] Ozone-depleting gas emissions (in mt)	441	488
Nitrogen oxides (NO _x)	5	15
Volatile organic compounds (VOC)	429	442
Carbon monoxide (CO)	7	31
[305-7] Fine-dust emissions (in mt)	7.5	7.0

* Values for the previous year adjusted

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.

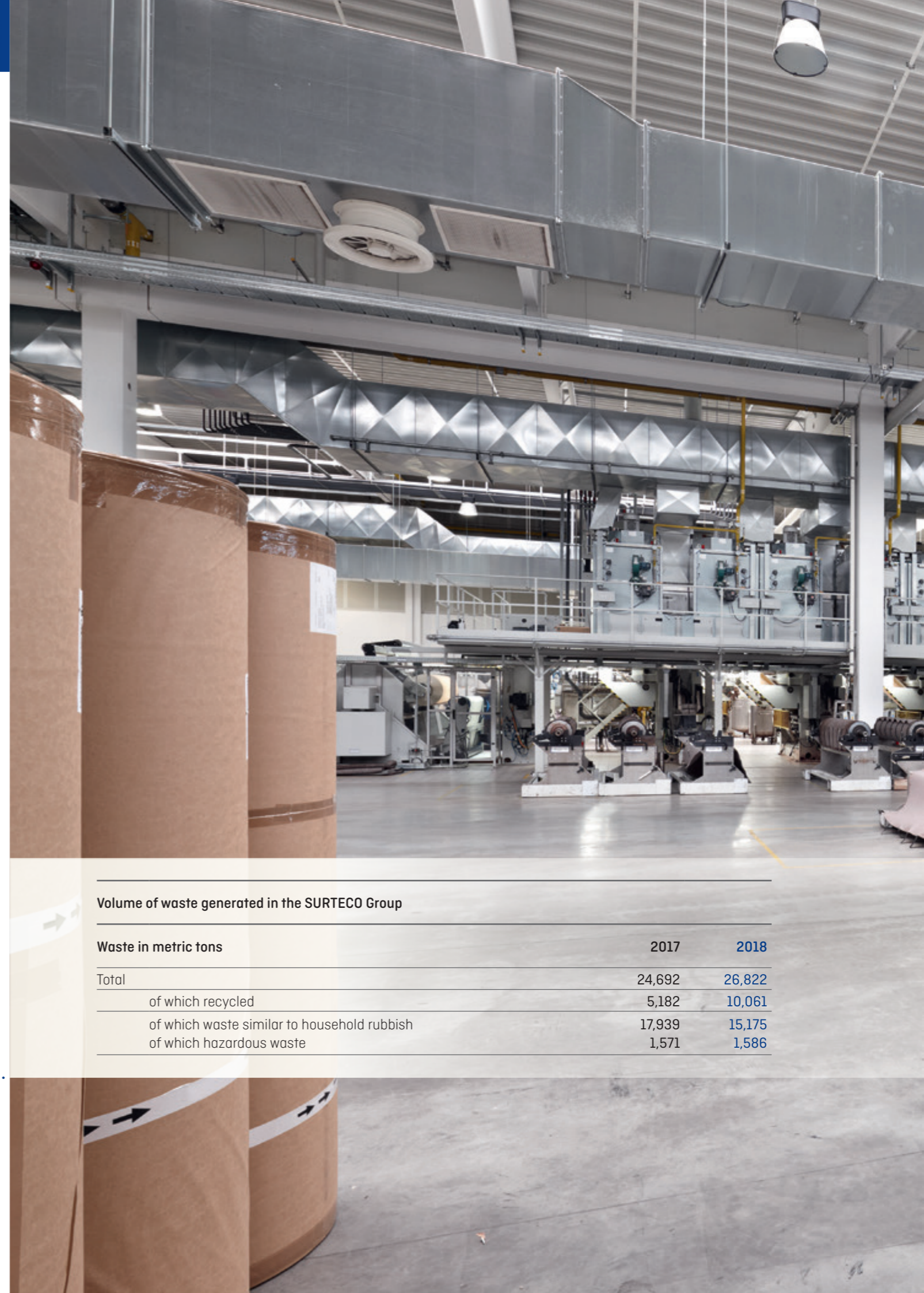
In order to provide employees with effective protection, SURTECO ensures that the noise pollution at permanent workplaces is always maintained below the individually applicable (statutory) threshold values. This is achieved by modifying or encapsulating machines, by enclosures and procuring low-noise 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 volumes of waste are recorded separately by type and disposal method. A proportion of the waste (about 10,061 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.

The total quantity of waste generated by SURTECO reached 26,822 metric tons in 2018.



Volume of waste generated in the SURTECO Group

Waste in metric tons	2017	2018
Total	24,692	26,822
of which recycled	5,182	10,061
of which waste similar to household rubbish	17,939	15,175
of which hazardous waste	1,571	1,586

|9| EMPLOYEES [102-8]

SURTECO believes it is important to offer employees a professional working environment in order to promote the health of its people on the one hand and to boost the operating performance of the company overall. A detailed explanation of the corporate principles is therefore given to the workforce. 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.

Health days

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



Diversity defines the corporate culture at SURTECO. Employees from more than 40 different countries are employed within the Group across the world. SURTECO supports employee development through individual and regular training sessions in all Group segments in order to retain the positive and creative effects of this diversity. During the reporting year, employees took part in training and career-development measures on more than 3,954 person days.

[102-7] Employee structure of the SURTECO Group

		2017	2018
Employees	Total number	3,295	3,304
Gender	Men	2,742	2,743
	Women	553	561
Age	up to 29 years	18%	17%
	30 to 49 years	48%	48%
	50 years and older	34%	35%
Nationality	German	51%	50%
	Portuguese	8%	8%
	US American	7%	7%
	British	6%	5%
	Brazilian	4%	5%
	Turkish	4%	4%
	Canadian	4%	4%
	Swedish	3%	3%
	35 other nationalities	13%	14%

Performance review and improvement

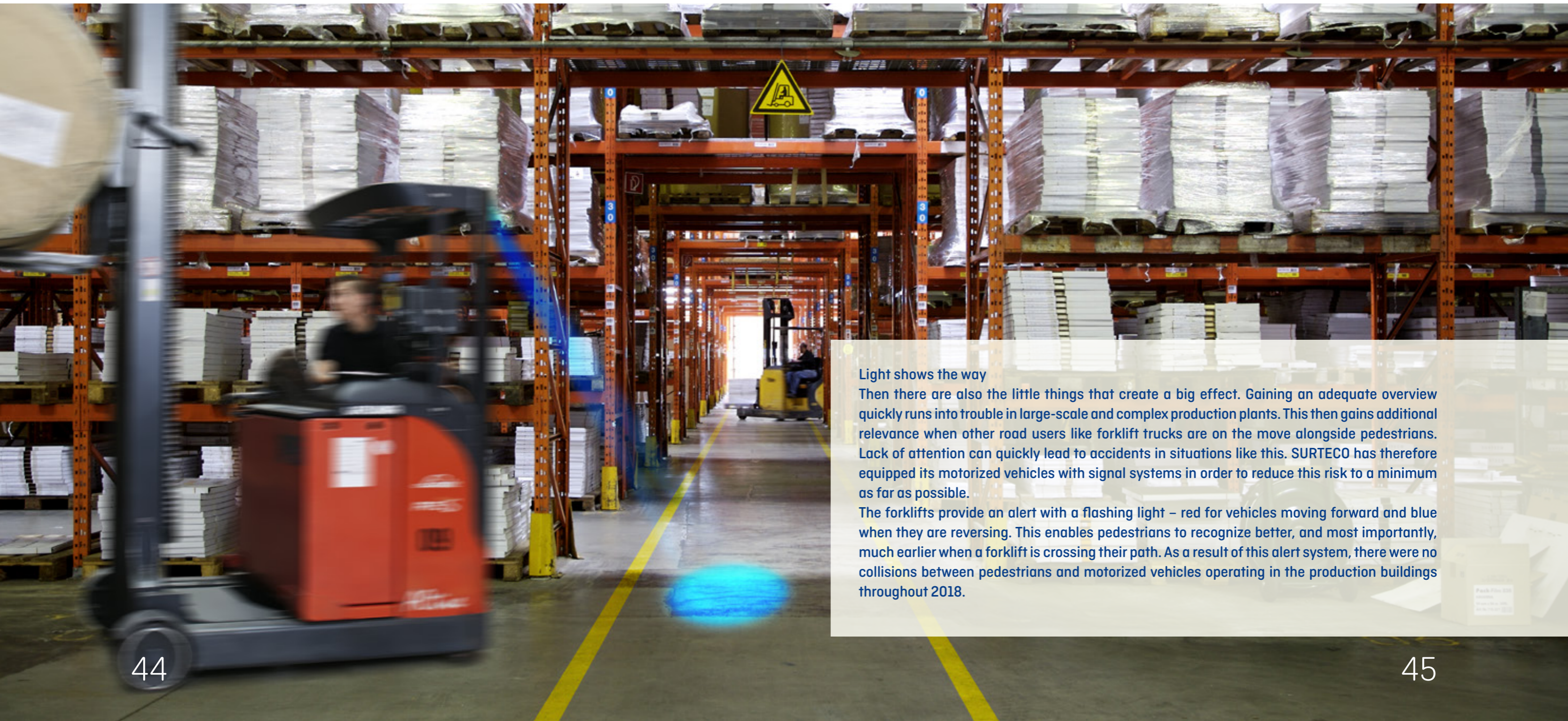
SURTECO guarantees the necessary level of safety and its continuous improvement with a variety of audits, reviews and checks. Production plants and other installations, warehouses, and laboratories are recorded at all the locations. The realized safety concepts are put on the test stand during the course 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 2018, 141 occupational accidents with an absence of at least one working day occurred throughout the Group. The number of days of absence reached 1,997 days.



Light shows the way

Then there are also the little things that create a big effect. Gaining an adequate overview quickly runs into trouble in large-scale and complex production plants. This then gains additional relevance when other road users like forklift trucks are on the move alongside pedestrians. Lack of attention can quickly lead to accidents in situations like this. SURTECO has therefore equipped its motorized vehicles with signal systems in order to reduce this risk to a minimum as far as possible.

The forklifts provide an alert with a flashing light – red for vehicles moving forward and blue when they are reversing. This enables pedestrians to recognize better, and most importantly, much earlier when a forklift is crossing their path. As a result of this alert system, there were no collisions between pedestrians and motorized vehicles operating in the production buildings throughout 2018.

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



Sustainability in operating business

SURTECO 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 49.5 % in 2018 indicates that the procurement of raw materials constitutes the biggest expense item for SURTECO. Around 82 % 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 2018, [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

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102-8	Information on employees and other workers
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102-10	Significant changes to the organization and its supply chain
102-14	Statement from senior decision-maker
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102-47	List of material topics
102-50	Reporting period
102-53	Contact point for questions regarding the report
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203-2	Significant indirect economic impacts
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205-3	Confirmed incidents of corruption and actions taken
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303-2	Water sources significantly affected by withdrawal of water
303-3	Water recycled and reused
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304-2	Significant impacts of activities, products, and services on biodiversity
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306-3	Significant spills
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308-2	Negative environmental impacts in the supply chain and actions taken
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SURTECO
GROUP

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