

Sustainability Report

Organizational Profile Gurit Group¹



20
Locations
worldwide

Markets served



2198
Employees

360.5
million CHF
Net sales

35.9
million CHF
EBIT

24.9
million CHF
Net profit

10,0
percent
EBIT margin

206.1
million CHF
Equity

¹ This page includes information from GRI 102: General Disclosures 2016 (102-1: Name of the organization; 102-2: Activities, brands, products, and services; 102-3: Location of headquarters; 102-4: Location of operations; 102-6: Markets served; 102-7: Scale of the organization); For 102-4: Location of operations, please see also page 84; For 102-5: Ownership and legal form, please see pages 93 and 94; For 102-45: Entities included in the consolidated financial statements, please see pages 62 ff;

1. Introduction²

Gurit is specialised in the development and manufacture of advanced composite materials, production tools and select composite components. In addition, Gurit provides composite engineering services that help transform traditional, heavier structures into lightweight, durable ones. The Company's products and solutions are primarily used in the wind energy, aerospace, marine, automotive and land transportation industries thus contributing to the generation of renewable energy as well as to the reduction of fuel consumption, amongst others. As such, sustainability forms an essential part of Gurit's global business activities and sustainable growth strategy.

Gurit has reported on economic, environmental, social and governance-related developments for several years in its annual report. In order to align its disclosures with international reporting standard practice, the Company started using the Global Reporting Initiative (GRI)'s Sustainability Reporting Guidelines as a framework for the first time in preparation of the 2015 Gurit Annual Report. For the 2017 Gurit Annual Report, the 2016 GRI Standards again served as reference and framework.

Given the size of the organization and the global spread of its business activities, Gurit aims to adopt GRI's reporting principles incrementally. This will allow the Company to implement the necessary internal processes and monitoring tools in a meaningful way over time.

1.1 Stakeholder Inclusiveness and Key Topics³

Gurit has assessed the materiality of sustainability issues in light of the 2016 GRI Standards. An internal materiality analysis was conducted in 2017, involving the Company's Executive Committee as well as the Technology, Finance, Human Resources and Marketing departments. Customers, employees and workers, shareholders, suppliers, regional authorities and the public have been defined as main stakeholders who significantly influence or are influenced by the Company's business activities, products and services. Dedicated external stakeholder engagement processes have not been used yet. However, existing stakeholder expectations and interests have been taken into account. In particular, customer interests and expectations gathered through customer surveys, the close and frequent communication of senior management, customer support, technical support and the sales organization with customers and distribution partners have been considered. Furthermore, insights from constant and regular communication with shareholders and the financial community as well as information gained from media monitoring and participation in industry events have been taken into account.

² This page includes information from GRI 101: Foundation 2016

³ This section includes information from GRI 102: General Disclosures 2016 (102-21: Consulting stakeholders on economic, environmental, and social topics; 102-40: List of stakeholder groups; 102-42: Identifying and selecting stakeholders; 102-43: Approach to stakeholder engagement)

1.6 Reporting Practice⁸

Gurit reports on sustainability each year as part of its annual report, the last of which was published in March 2017. The sustainability reporting period covers the current reporting period (fiscal year 2017) as well as the previous reporting period (fiscal year 2016). As outlined above, Gurit has chosen a stepwise approach to sustainability reporting in order to be able to implement the necessary internal processes and monitoring tools in a meaningful way over time. Therefore, the compiled data does not currently cover all relevant Gurit entities worldwide.

Where quantitative data is presented, Gurit has applied the necessary level of thoroughness to ensure accuracy and timeliness. The data presented has not been validated externally. Whether presented quantitatively or qualitatively, the report covers both favorable and unfavorable topics and results in terms of their respective relevance.

2. Customers⁹

Gurit supplies a global customer base from manufacturing and distribution sites in Germany, Hungary, Italy, Poland, Spain, Switzerland, the U.K., the Netherlands, Canada, the U.S.A, Ecuador, Australia, New Zealand, India, and China. In addition, Gurit maintains partnerships with distribution partners worldwide. Types of customers range from small family enterprises to large multinational corporations.

Bringing best value to customers has been a priority for Gurit since the very beginning. To achieve this target, the Company supports its global customer base in achieving their performance and cost reduction targets and in deriving many benefits from the transformation of traditional structures into lightweight and durable solutions. On-site technical support as well as product and process training related to the correct and safe handling and use of the Company's products form an essential part of this aim. Distributors are included in these training activities as part of the Company's overall customer health and safety efforts as their knowledge and advice plays an important role in regions where Gurit is not represented by local sales and technical support offices.

Gurit also informs customers regularly about product developments and organizational updates by means of customer newsletters. Management of customer data on an overall level and for distribution of newsletters takes place in compliance with all relevant legal requirements related to data protection and security. Customers are able to opt out of all push communication activities at all times. No data leaks were identified and no complaints from customers regarding infringements of privacy were received in 2017.

The main focus of the Company's internal customer health and safety activities in 2017 again related to the implementation of REACH (Registration, Evaluation and Authorisation of Chemicals). The legislation, which was introduced by the European Union on June 01, 2007 and which will become effective on June 01, 2018

⁸ This section includes information from GRI 102: General Disclosures 2016 (102-50: Reporting period; 102-51: Date of most recent report; 102-52: Reporting cycle; 102-56: External assurance)

⁹ This section includes information from GRI 416: Customer Health and Safety 2016; GRI 417: Marketing and Labelling 2016 and GRI 418: Customer Privacy 2016

for all producers of chemicals in volumes greater than 1 tonne per year, aims to provide a high level of protection of human health and the environment from the use of chemicals. It also makes manufacturers and importers of chemicals responsible for understanding and managing the risks associated with their use.

As part of the implementation, Gurit assessed and continues to evaluate suppliers to ensure they are legally compliant with REACH. Furthermore, the Company integrated all relevant raw material chemical registration numbers into its product safety datasheets (SDS) and updated its product labels in accordance with the new legal requirements. The regulatory compliance coordinator together with members of the global product development and purchasing teams ensure that all information is collated, recorded and available within the defined period.

In 2017, no concerns or incidents of non-compliance with any health and safety regulations or standards were identified or recorded. Equally, no complaints or violations regarding product marketing and labelling were brought forward in the reporting period. No legal actions were proceeded or pending, and no fines or non-financial penalties relating to non-compliance with any health and safety, product marketing and labelling regulations and standards were imposed in 2017.

Gurit also continued to assess composition of products in view of substances that were reclassified to a higher hazard level under the REACH framework in 2017. As part of the Company's aim of responsible product development, potential changes in product compositions were evaluated that might lead to a reduced amount of hazardous raw material content while preserving conducive product characteristics. The Company will continue its product assessment activities and initiate product reformulation where appropriate.

Furthermore, Gurit considers new legislation as an additional inducement for all new product developments to ensure balance of favourable product characteristics on the one hand, and health and safety protection of its customers and business partners on the other hand.

3. Employees

Responsible Employment Practices are of the highest priority for Gurit. Attracting, training and retaining a highly skilled, motivated and performing workforce is key for the Company's current and future success. "Success through People", therefore, forms part of the Gurit Values for Success.

3.1 Employee Ratios¹⁰

Gurit serves markets that have a certain cyclicity, such as the wind energy, tooling and marine segments. As part of its business model and in order to maintain and nurture a strong capability and competency level amongst its global staff, the Company focuses on multi-skilled core production teams. In line with demand, these core teams are supplemented by temporary workers and contractors to cope with peaks. As of December 31, 2017, Gurit employed 2 198 people as compared to 2 199 people in 2016.

¹⁰ This section includes information from GRI 102: General Disclosures 2016 (102-8: Information on employees and workers); GRI 202: Market Presence 2016 (202-2: Proportion of senior management hired from the local community); GRI 405: Diversity and Equal Opportunity 2016; and GRI 407: Freedom of Association and Collective Bargaining 2016

Workforce by Employment Contract:

| | 2017 | 2016 |
|------------------------|--------------|-------|
| Total Workforce | 2 280 | 2 235 |
| Permanent* | 2 075 | 2 043 |
| Temporary* | 123 | 156 |
| Apprentices, Interns | 14 | 15 |
| Workers/Contractors | 68 | 21 |
| Full-time* | 2 142 | 2 156 |
| Part-time* | 56 | 43 |

* excluding apprentices, trainees, interns and agency workers/contractors

Employees by Gender*:

| | 2017 | | 2016 | | 2015 | |
|---------------------|-------|--------|-------|--------|-------|--------|
| | Male | Female | Male | Female | Male | Female |
| Board of Directors | 5 | – | 5 | – | 5 | – |
| Executive Committee | 5 | – | 5 | – | 6 | – |
| Senior Management | 28 | 5 | 28 | 5 | 29 | 5 |
| Total Staff | 1 840 | 358 | 1 872 | 327 | 1 775 | 319 |

* excluding apprentices, trainees, interns and agency workers/contractors

Employees by Age Structure*:

| | 2017 | | | 2016 | | | 2015 | | |
|---------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | Age under 30 years | Age 30 to 50 years | Age above 50 years | Age under 30 years | Age 30 to 50 years | Age above 50 years | Age under 30 years | Age 30 to 50 years | Age above 50 years |
| Board of Directors | – | – | 5 | – | – | 5 | – | – | 5 |
| Executive Committee | – | 2 | 3 | – | 2 | 3 | – | 2 | 4 |
| Total Staff | 433 | 1 432 | 333 | 534 | 1 408 | 257 | 507 | 1 364 | 223 |

* excluding apprentices, trainees, interns and agency workers/contractors

Gurit is committed to fair and equal employment. The Company employs a workforce that is composed of around 20 different nationalities.

Proportion of senior management hired from the local community

Except for the Tooling operation in Poland, all operational sites globally are staffed with senior managers who are citizens of the country in which the production sites are located.

Gurit complies with all relevant local rules and legislations regarding employees' freedom of association and the right to collective negotiation. No complaints, concerns or violations were reported at any of the Company's global sites in 2017.

3.2 Occupational Health & Safety¹¹

Maintaining a high standard of technical expertise, assuring high-quality production processes and ensuring safety in the workplace are major priorities for Gurit. The Company is aware of the fact that employees could be affected by certain aggressive chemicals the Company deals with, by processing dust, steel welding, as well as lifting and transporting heavy equipment. Gurit, therefore, constantly strives to de-risk its employees and operations through specific training sessions and procedural changes for high-risk areas and processes.

Gurit tracks workplace safety at its global sites according to two categories: Accidents are defined as events that result in injury or ill health involving employee absence. Incidents are defined as events that involve injury but do not result in employee absence.

Number of Work-Related Accidents and Incidents:

| | 2017 | | 2016 | | 2015 | |
|----------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| | Accidents | Incidents | Accidents | Incidents | Accidents | Incidents |
| Composite Materials | 17 | 144 | 22 | 145 | 18 | 203 |
| Composite Components | – | 5 | 4 | 9 | 11 | 14 |
| Tooling | 6 | 9 | 8 | 14 | 9 | 17 |
| Total | 23 | 158 | 34 | 168 | 38 | 234 |

The Composite Materials business achieved further progress in reducing the number of work-related accidents and incidents in 2017. A tailored program will be rolled out in 2018 to target those sites that have not yet achieved their health & safety targets. In the Composite Components business, well-practiced manufacturing processes and rehearsed teams for semi-automated production of car body panels contributed positively to the significant reduction of work-related accidents and incidents.

Overall, Gurit strives to further reduce the number of accidents and incidents at its global production sites and is committed to providing healthy and safe working conditions for its entire global staff.

¹¹ This section includes information from GRI 403: Occupational Health and Safety 2016 (403-2: Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities)

3.3 Education & Training¹²

Gurit has implemented a learning management software in 2015 to support training and development of its personnel in a flexible and modern format. In 2017, several courses and training programs were conducted for employees by using this platform. Furthermore, the Company launched a sales academy training program in 2016 tailored to the needs of its global sales force. In 2017, additional sales-related functions and new sales colleagues were included in the roll-out of the program. To date, Gurit does not collect data relating to the average hours of training per year per employee.

Complementary to collective training and development programs, Gurit also fosters individual training and development opportunities. Individual development and training needs and targets are discussed as part of the Company's annual performance reviews.

Gurit has also launched a new trainee program as of March 1, 2018. The Gurit Entrepreneurial Trainee Program is targeted at ensuring a continuous inflow of young entrepreneurial technology talents in order to support the Company's target to fill 50 percent of all open positions as a long-term vision.

Benchmarking of salaries and grading, which was started in 2015 together with a renowned external service provider, further progressed over the course of the year with the overall target to create transparency, to benchmark Gurit's compensation practice with industry standards and to further develop internal career development paths.

4. Suppliers and Responsible Procurement¹³

Gurit offers a broad range of advanced composite materials to its strategic target markets. The majority of these products are manufactured from raw chemicals that the Company for the most part purchases directly from leading global suppliers and then further processes into structural foams, resin systems, laminating and infusion systems, gel coats, and adhesives. The Tooling business additionally consumes steel from local suppliers to produce mould frames as well as transportation, turning and lifting devices for wind-blade moulds. Gurit also sources glass, carbon, and aramid fibres from the respective manufacturers for the production of prepregs.

The majority of these materials and their constituents are non-renewable materials and are almost completely composed of non-recycled input materials. For some production processes, however, Gurit also uses by-products, such as sawing dust, which are fed back into the production cycle. The amounts of these are not yet tracked in terms of weights or volumes as this would create additional process steps that would slow down production and thus limit the overall gains from this practice.

¹² This section includes information from GRI 401: Training and Education 2016

¹³ This section includes information from GRI 102: General Disclosures 2016 (102-9: Supply chain); GRI 204: Procurement Practices 2016 and GRI 301: Materials 2016

In terms of improving the ratio of recycled input materials, the acquisition of the PET business in Italy in December 2016 has enabled the Company to produce structural PET foam from 100% recycled, post-consumer input material at the production sites in Italy and China. Furthermore, research and development work on the production of carbon fibre products from recycled carbon fibre for select applications is showing good progress and will be introduced to the market during 2018. Gurit also purchases balsa wood (Ochroma pyramidale), a natural resource for producing blocks and sheets from virgin balsa wood. The wood is sourced from local farmers and smallholder cooperatives rather than from large monoculture plantations that negatively impact biodiversity and conditions of the local communities. In 2017, Gurit formed a joint venture for balsa wood supply from Java, Indonesia, in addition to the existing supply chain in Ecuador. The main rationales for this step were greater proximity to customers in the region and risk reduction from the El Niño climate cycle in South America. Sourcing in Asia-Pacific for customers in the region also reduces the amount of goods shipped across continents and related fuel consumption.

Reliable, efficient and responsible procurement is important for Gurit to ensure high delivery capability as well as long-term business success. Raw material shortages could lead to increased materials costs, supply bottlenecks and poor product quality. The Company has therefore established a dual-sourcing approach for the majority of its key raw materials in order to be able to respond adequately to fluctuations in the demand and supply markets. Furthermore, Gurit maintains steady relationships with local suppliers rather than buying in irregular or cyclical patterns. This is particularly important for the relationship the Company maintains with the small local farmers and balsa wood suppliers.

5. Environment¹⁴

Gurit is committed to a production concept that combines economic manufacturing with minimal ecological impact. The Company strives to achieve this aim through a dedicated focus on customer needs; a superior level of technology and competence; operations excellence; and environmental, social, and ethical best practices and conduct. Rigorous compliance with all applicable environmental laws and regulations is an absolute prerequisite for the Company.

As reported earlier, Gurit has started to monitor and report on environmental information collected at the Company's production site in the UK which is focused on the production of prepregs, resin systems, laminating and infusion systems, gel coats, and adhesives. Due to the announced transfer of prepreg production from the UK to Spain which was started in October 2017 and is to be completed by summer 2018, significance of the figures presented below is limited. Going forward, the Company will reconsider presentation of environmental information.

¹⁴ This section includes information from GRI 302: Energy 2016 (302-1: Energy consumption within the organization; 302-2: Energy consumption outside of the organization); and GRI 306: Effluents and Waste 2016 (306-2: Waste by type and disposal method; 307-1: Non-compliance with environmental laws and regulations)

Gurit UK Environmental Indicators*

| In MWh | 2017 | 2016 | 2015 |
|---|--------------|-------|-------|
| Electricity** | 5 107 | 5 517 | 6 414 |
| Thereof renewable sources*** | 477 | 461 | 520 |
| Thereof other sources | 4 630 | 5 056 | 5 894 |
| In tonnes | 2017 | 2016 | 2015 |
| Waste**** | 895 | 986 | 1 158 |
| Non-hazardous waste | | | |
| Residual waste to recycling | 745 | 812 | 974 |
| Residual waste to landfill | 49 | 53 | 80 |
| Hazardous waste to specialist treatment | 101 | 121 | 104 |
| Recycling | | | |
| Pallets | 104 | 96 | 91 |
| Cardboard and plastic | 26 | 18 | 28 |

* Information presented in this table does not include data from production of composite components in building 2 at the UK site.

** Information based on data from energy monitoring system.

*** Gurit UK has installed solar photovoltaic panels on its production buildings in 2013 to reduce the amount of non-renewable energy consumed.

**** Information based on data from waste contractor. A waste recycling program has been in place since 2004.

As part of its environmental considerations, Gurit has also evaluated energy consumption outside of the organization.

Energy consumption outside of the organization mainly relates to the following upstream categories:

- Energy consumed for the production of raw materials (e.g. carbon fibre)
- Transportation of raw materials
- Business travel
- Employee commuting

It also relates to the following downstream categories:

- Transportation and distribution of products (e.g. sea freight container shipments)
- Freezer storage of prepregs by distributors and customers
- Energy used during the curing process of products by customers
- End-of-life treatment of sold products (e.g. disposal of wind-turbine-blades)

Gurit is not in a position to collect data and report on energy consumption outside of the organization at this point in time.

6. Society¹⁵

Gurit strives to add value to the advanced composites industry, its strategic target markets, customers and business partners, employees, investors as well as the regions and local communities in which it operates. The Company makes no political donations and does not support any political party, neither directly nor indirectly. Gurit and part of its subsidiaries participate in local and national organizations and industry associations. The individual involvements, however, do not constitute strategic memberships or imply substantial funding beyond routine membership fees.

Sponsorships

The general motivating force and focus of Gurit's sponsorships are the support of research and development activities in the advanced composites industry, sustainable ventures, industry events within the Company's target markets and student projects. When deciding which projects and activities to support, emphasis is placed on high ethical and moral standards. Total financial and in-kind sponsorships amounted to around CHF 40,000 in 2017. Gurit reports regularly on its sponsorship activities on the Company's facebook page as well as in Shape – The Gurit Magazine.

7. Contact¹⁶

For any Sustainability Reporting questions, please contact:

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¹⁵ This section includes information from GRI 419: Socioeconomic Compliance 2016

¹⁶ This section includes information from GRI 102: General Disclosures 2016 (102-53: Contact point for questions regarding the report)