Sustainability Report

Organizational Profile Gurit Group[1]

25
Locations worldwide

2 860
Employees

Markets served

425.3
million CHF
Net sales

27.6
million CHF
EBIT

19.9
million CHF
Net profit

6.5
percent
EBIT margin

125.1
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 86; For 102-5: Ownership and legal form, please see pages 97 and 98; For 102-45: Entities included in the consolidated financial statements, please see pages 62 ff;

1. Introduction[2]

Gurit is specialised in the development and manufacture of advanced composite materials, production tools and kitting. In addition, Gurit provides composite engineering services that help transform traditional, heavier structures into lightweight, durable structures. 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 and Carbon dioxide emissions, 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 2018 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, as well as recent acquisitions, 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 Topics[3]

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)

The key topics defined by this approach are presented in the table below in relation to their importance for Gurit and its main stakeholders.

Materiality Index[4]:

* Compliance includes GRI 205: Anti-corruption, GRI 206: Anti-competitive behaviour, GRI 307: Environmental compliance, GRI 418: Customer Privacy, GRI 419: Socioeconomic compliance.
** Responsible Product Development includes GRI 301: Materials, GRI 417: Marketing & Labelling.
*** Responsible Employment Practices includes GRI 202: Market presence, GRI 401: Employment, GRI 402: Labour / Management Relations, GRI 404: Training & Education, GRI 405: Diversity & Equal Opportunity, GRI 406: Non-discrimination, GRI 407: Freedom of association and collective bargaining.

1.2 Organizational Profile Gurit Group

For information on the Company's organizational profile, please see page 44.

1.3 Ethics and Integrity[5]

Gurit pays the highest attention to the strict adherence to business ethics and integrity. The Gurit Code of Conduct is an essential element of the Company's corporate and business management. As such, the Gurit Board of Directors, Group Management and all employees are expected to strictly adhere to the principles and guidelines outlined in the Code. Full compliance with all pertinent legal and regulatory requirements and standards is also required. Acknowledgement and acceptance of the Code therefore forms part of every staff member's terms of employment.

4 This section includes information from GRI 101: Foundation 2016 and from GRI 102: General Disclosures 2016 (102-46: Defining report content and topic boundaries; 102-47: List of material topics)
5 This section includes information from GRI 102: General Disclosures 2016 (102-16: Values, principles, standards, and norms of behaviour; 102-17: Mechanisms for advice and concerns about ethics; 102-26: Role of the highest governance body in setting purpose, values and strategy); GRI 205: Anti-corruption 2016 and GRI 206: Anti-competitive behaviour 2016; and GRI 419: Socioeconomic Compliance 2016

The most current version of the Company's Code of Conduct was resolved by the Board of Directors and the CEO in May 2014. It outlines the Company's principles and guidelines on business ethics and is centred on four key values, the so-called "Gurit Values for Success":
– Customers – our priority
– Renewal through Innovation
– Profit through Empowerment
– Success through People

The Group Executive Committee, the Board of Directors and Gurit employees, in particular new team members, are trained on the Gurit Code of Conduct. The latest version of the Gurit Code of Conduct is available on the Company's intranet in different languages.

For advice on the Code or in case of concerns about or evidence of violations, employees must seek guidance from their direct managers, Group management or the Audit and Corporate Governance Committee of the Gurit Board of Directors. All requests are treated confidentially. Furthermore, the Chairman of the Audit and Corporate Governance Committee can be contacted in full anonymity in order to raise concerns. Overall compliance with the Code is subject to internal audits. Furthermore, the Executive Committee submits an annual report on compliance to the Board of Directors.

No violations with regard to conflicts of interest or non-compliance with any of the standards set forth in the Gurit Code of Conduct were identified or reported in 2018. Equally, no complaints regarding infringements of Human Rights were brought forward in the reporting period. No legal actions were proceeded or pending, and no fines or non-financial penalties related to non-compliance with any anti-corruption, anti-competitive behaviour, anti-trust and monopoly practices were imposed in 2018. However, the company has addressed three potential corruption allegations and one environmental concern regarding allegedly illegal wood chopping. All four allegations have been investigated by internal and partly external resources. All four claims were closed without substances. In the case of allegedly illegal wood chopping in Ecuador Gurit has informed the customers about the allegations without substance and has taken legal action to protect its reputation and brand.

1.4 Governance[6]

For information on the Company's governance structure and practice, please see "Corporate Governance Report" pages 18 to 29.

1.5 Stakeholder Engagement[7]

Gurit fosters a constant and close dialogue with its key stakeholders in order to create added value and maintain long-standing, beneficial partnerships. In addition to individual customer meetings, the Company participates in various annual specialist and industry trade fairs and events globally in order to deepen the relationship with existing and to establish contacts with potential new customers, business partners and suppliers as well as the advanced composites industry as a whole. In terms of employee engagement, Gurit conducts employee surveys at its individual sites in addition

6 This section includes information from GRI 102: General Disclosures 2016 (102-18: Governance structure; 102-19: Delegating authority; 102-22: Composition of the highest governance body and its committees; 102-23: Chair of the highest governance body; 102-24: Nominating and selecting the highest governance body; 102-25: Conflicts of interest; 102-26: Role of the highest governance body in setting purpose, values and strategy)
7 This section includes information from GRI 102: General Disclosures 2016 (102-21: Consulting stakeholders on economic, environmental, and social topics; 102-43: Approach to stakeholder engagement)

to hosting an annual management meeting with the Group's senior managers worldwide at the beginning of each year. As a publicly listed company, Gurit also participates in a range of annual investors' conferences and roadshows in Europe in addition to hosting individual calls and meetings with major shareholders.

1.6 Reporting Practice[8]

Gurit reports on sustainability each year as part of its annual report, the last of which was published in March 2018. The sustainability reporting period covers the current reporting period (fiscal year 2018) as well as the previous reporting period (fiscal year 2017). 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. Customers[9]

Gurit supplies a global customer base from manufacturing and distribution sites in Denmark, Germany, Hungary, Italy, Poland, Spain, Switzerland, the U.K., Turkey, Canada, the U.S.A, Ecuador, New Zealand, India, Indonesia 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, Gurit 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 Group's products form an essential part of this aim. Distributors are included in these training activities as part of the Group'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 2018.

The main focus of the Group internal customer health and safety activities in 2018 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 entered into effect on June 01, 2018 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 Group 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 2018, no concerns or incidents of non-compliance with any health and safety regulations or standards were identified or recorded, with the exception of one pending case in Hungary. 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 2018.

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 2018. As part of the Group's aim of responsible product development, Ampreg™ 3X series, a new low toxicity epoxy laminating range for the manufacture of large composite structures in the marine, wind and construction industries was successfully introduced to the market. The laminating range has been reformulated to prioritize user health and safety of hand lay-up and vacuum bagging production techniques through the careful selection of chemicals. In addition, Ampreg™ 3X series features the new Gurit Light Reflective Technology, an addition to the resin matrix that has been introduced as a risk monitoring feature for the user and allows easy inspection of workwear, equipment and workspace for potential resin contamination by means of standard UV lamps.

Gurit will continue its product assessment activities and initiate product reformulation where appropriate. Furthermore, the Group considers new legislation as an additional inducement for all new product developments to ensure balance of favorable 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 Group's current and future success. "Success through People", therefore, forms part of the Gurit Values for Success.

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

3.1 Employee Ratios[10]

Gurit serves markets that have a certain cyclicality, 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 Group 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, 2018, Gurit employed 2 860 people as compared to 2 198 people in 2017.

Workforce by Employment Contract:

	2018	2017
Total Workforce*	**2 860**	2 198
Permanent*	2 382	2 075
Temporary*	478	123
Apprentices, Interns	8	14
Workers/Contractors	174	68
Full-time*	2 798	2 142
Part-time*	62	56

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

Employees by Gender*:

	2018		2017		2016	
	Male	Female	Male	Female	Male	Female
Board of Directors	5	–	5	–	5	–
Executive Committee	5	–	5	–	5	–
Senior Management	25	4	28	5	28	5
Total Staff	2 400	460	1 840	358	1 872	327

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

Employees by Age Structure*:

	2018			2017			2016		
	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	–	1	4	–	2	3	–	2	3
Total Staff	704	1 822	334	433	1 432	333	534	1 408	257

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

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

Gurit is committed to fair and equal employment. The Group employs a workforce that is composed of around 38 different nationalities.

Proportion of senior management hired from the local community

It is a Gurit ambition to staff local sites with local leadership. With three exceptions, 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 Group's global sites in 2018. One concern raised by a trade union in Spain has been addressed and Gurit was found in compliance with rules and regulations in place.

3.2 Occupational Health & Safety[11]

Maintaining a high standard of technical expertise, assuring high-quality production processes and ensuring safety in the workplace are major priorities for Gurit. The Group 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:

	2018		2017		2016	
	Accidents	Incidents	Accidents	Incidents	Accidents	Incidents
Composite Materials	18	159	17	144	22	145
Composite Components	2	8	–	5	4	9
Tooling	6	8	6	9	8	14
Aerospace*	7	2				
Total	33	177	N/A	N/A	N/A	N/A

The as part of the Gurit Kitting operations acquired JSB Group has not yet been included in the above figures. From October to December 2018 JSB reported 7 accidents and 2 incidents.

* Aerospace Business Unit: since April 2018.

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)

Some of the accidents and incidents may be explained with the relocation and build-up of certain operations, where new processes had to be established. Gurit has not been satisfied with the observed trends in OH&S performance and has therefore decided to launch a Corporate Program to improve health & safety at all of its sites. This program will be launched in 2019 under the responsibility of the Head of Group Human Resources. Gurit is committed to providing healthy and safe working conditions for its entire global staff.

3.3 Education & Training[12]

Gurit has implemented a learning management software in 2015 to support training and development of its personnel in a flexible and modern format. In 2018, several courses and training programs were conducted for employees by using this platform. Furthermore, the Group launched a sales academy training program in 2016 tailored to the needs of its global sales force. In 2018, 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 Group'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 Group's target to fill 50 percent of all open positions internally as a long-term vision. Two new colleagues were hired as part of the Gurit Entrepreneurial Trainee Program in 2018.

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 Procurement[13]

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 Group 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.

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

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.

In terms of improving the ratio of recycled input materials, the acquisition of the PET business in Italy in December 2016 has enabled Gurit to produce structural PET foam from up to 100% recycled, post-consumer input material at the production sites in Italy and China. 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.

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 Group 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 Group maintains with the small local farmers and balsa wood suppliers.

5. Environment[14]

Gurit is committed to a production concept that combines economic manufacturing with minimal ecological impact. The Group strives to achieve this goal 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 Group.

As reported earlier, Gurit has started to monitor and report on environmental information collected at the Group'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 transfer of prepreg production from the UK to Spain which was concluded in autumn 2018 as well as recent acquisitions, the overall 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	2018	2017	2016
Electricity**	**4 880**	5 107	5 517
Thereof renewable sources***	488	477	461
Thereof other sources	4 392	4 630	5 056

In tonnes	2018	2017	2016
Waste**	**605**	895	986
Non-hazardous waste			
Residual waste to recycling	505	745	812
Residual waste to landfill	20	49	53
Hazardous waste to specialist treatment	80	101	121
Recycling			
Pallets	64	104	96
Cardboard and plastic	16	26	18

* 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. Society[15]

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 Group 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 Group's target markets and student projects. When deciding which projects and activities to support, emphasis is placed on high ethical and moral standards.

7. Contact[16]

For any Sustainability Reporting questions, please contact:

Gurit Services AG
Marketing & Corporate Communications
Thurgauerstrasse 54
8050 Zurich, Switzerland

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)