

Sustainability and Corporate Social Responsibility

This report presents the combined non-financial declaration of the Sto Group and Sto SE & Co. KGaA in accordance with Sections 289b and 315b of the German Commercial Code (HGB). It complements the Group management report and the management report of Sto SE & Co. KGaA for 2020, which is part of this Annual Report and is available under 'Investor Relations' on the website www.sto.de.

The non-financial declaration provides information on the major factors in the five areas of environmental matters, employee matters, social matters, respect for human rights as well as the combating of corruption and bribery. The declaration is based on the ten principles of the UN Global Compact and describes the corresponding measures, results, and potential risks.

Part A Business model and sustainability management at Sto

The Sto Group

Sto SE & Co. KGaA specialises in products and systems for building coatings and is one of the most important global manufacturers in this industrial sector. In the 2020 fiscal year, the Group, which is listed on the regulated market of the German stock exchange, had 5,545 employees in 50 operating companies as well as its places of operation worldwide and achieved a consolidated turnover of EUR 1,433.0 million.

The product range of the Sto Group is divided into four product groups: the core business of **facade systems** combines external wall insulation systems (EWIS), a segment in which our company occupies a leading position, and rainscreen cladding facade systems (RSC). The product group of **facade coatings** includes render and paint systems. **Products for interiors** encompass plaster and paint systems for

home and office interiors, decorative coatings, interior claddings, and acoustic systems for regulating sound. Furthermore, Sto produces and sells high-quality floor coatings and products for concrete repair which are allocated to **Other product groups**.

In terms of regions, business activities of the Sto Group are divided into the segments of **Western Europe** and **Other**, with the latter being broken down into the regions of **North-eastern/Eastern Europe** and **America/Asia/Pacific** within the internal reporting framework. Our corporate management is primarily focused on these regions.

The Sto business model is oriented towards long-term success. The essential foundations for this are sustainable, solid business management, constant progress, and a financially strong basis. The corporate vision is to be the worldwide technology leader in the sustainable design of living space tailored to human needs.

Detailed information on the structure, strategy, and the competitive situation of the Sto Group and the segments is available in the Group management report.

Assuming responsibility

Sustainability and Corporate Social Responsibility (CSR) have been important topics for Sto ever since the company was founded, and they are anchored in our Guiding Principles and are part of our corporate mission 'Building with conscience.' in a condensed form.

A major part of Sto's business model is the contribution that our products make to sustainability in the construction sector, especially to climate protection. We have been developing and selling facade insulation systems for more than 50 years now, and thanks to their efficient building insulation capacity, we have been able to help achieve significant savings in energy through both the refurbishment of existing buildings and the construction of new buildings. Since 1965, Sto insulation

Thermal insulation helps to protect the environment

The energy savings from the use of Sto facade insulation systems correspond to around **115 billion litres of heating oil**.



Between 1965 and 2020, facade insulation systems from Sto played a direct role in saving the barely conceivable volume of 115 billion litres of heating oil. With this, Sto has made a notable contribution to global climate protection: the facade insulation systems from the southern Black Forest have managed to avoid around 370 million tonnes of CO₂ emissions. In 2020 alone, Sto products reduced emissions of this combustion gas by around 20 million tonnes.

systems have been installed on around 650 million m² of buildings worldwide, saving an estimated 115 billion litres of heating oil up to and including 2020, with the year under review accounting for around 5 billion litres of this figure alone. The resulting reduction in CO₂ emissions totalled more than 370 million tonnes, including approx. 20 million tonnes in 2020. In this way, Sto makes a significant continuous contribution to climate and environmental protection. This also improves the living comfort and quality of the relevant buildings.

Furthermore, our high-quality facade and coating systems protect the building fabric and thus ensure the conservation of value, longevity and resource efficiency of buildings. In the interior, our positive contribution lies above all in health protection and well-being through a wide range of low-emission products and products that are free from harmful substances. Apart from that, we are also addressing new product requirements that arise due to sustainable building concepts and, for example, are intensively working on the subject of a recycling economy as a strategic focal point of our product-related sustainability activities.

Sustainability strategy

In order to strengthen the topic of sustainability in the strategic orientation, to professionalise activities and bundle measures, we established the Sustainability department at Group level in 2012. This function reports directly to the Chief Technology Officer. In addition to our self-imposed claim, which is anchored in our Guiding Principles, we are thus meeting the increased demands of our stakeholders, especially shareholders, the state as the legislator, our customers, suppliers, the interested public, and our employees.

In 2020, we undertook a comprehensive revision of our sustainability strategy as part of the Group-wide strategy review. In addition to identifying key issues and fields of action, this also focused – in particular – on setting sustainability targets for the Sto Group to achieve by 2025. These targets were defined at the end of 2020. In 2021, they are to be officially adopted – along with a corresponding package of measures and budget plans – before being subsequently implemented and incorporated into the reporting. Fundamentally, we are adopting a holistic approach summarised by the maxim 'Product, People, Planet'. This expresses

the idea that our goals and actions extend to every area within the company's sphere of influence and are being implemented at every value-added step: from product development, procurement, production, sales and marketing right through to HR and communications. The aim is to identify and address demands and needs in order to create a stable basis for profitable growth that protects capital and also to make a positive, social and important environmental contribution.

To ensure that we are ready to face future challenges, we are following the development of megatrends, changes in the market, as well as regulations and laws that are relevant to Sto. In 2020, we focused our efforts primarily on areas including:

- The European Green Deal, particularly the climate action target of becoming climate-neutral by 2050, and the planned 'surge in renovation'
- Energy efficiency as a cornerstone of the move towards renewable sources of energy and climate protection plans
- Support schemes, such as the tax incentives for energy-efficient refurbishment of buildings in Germany or the Federal Funding for Energy-Efficient Buildings (Bundesförderung für effiziente Gebäude, BEG)
- The German Buildings Energy Act (Gebäudeenergiegesetz, GEG)
- The recycling economy and resource efficiency as elements of resource, climate, and environmental protection
- Operational and product-related environmental protection as a means of conserving ecosystems
- Compliance with strict requirements regarding the use of ingredients which are suspected of being damaging to human health and the environment
- The European chemicals strategy
- The National Action Plan for Business and

Human Rights (NAP) adopted by the German government for the observance of human rights along global supply and value chains, and the development of an act to cover supply chains

- The health and well-being of employees, applicators, and users
- Qualification and training in order to combat a shortage in young talent, and skills
- Commitment to social issues, signalling solidarity and individual support.

In terms of the introduction and implementation of voluntary CSR measures we act in accordance with the motto 'think global – act local'. Hence our principles, especially the compliance with the ten principles of the UN Global Compact, apply to all regions and companies worldwide. The specific measures to comply with and promote these principles as well as specific activities to promote sustainable construction may vary locally. They are geared to the respective local needs and circumstances.

Structures and regulations for sustainability

Sto has been reporting voluntarily on its CSR activities for many years, based on the ten principles of the **UN Global Compact**, which we joined in 2009. The UN Global Compact is a global strategic initiative for responsible corporate governance and global justice under the auspices of the United Nations. Signatories of the Global Compact commit to aligning their business activities and strategies with ten universally acknowledged principles taken from the areas of human rights, labour standards, environmental protection, and the fight against corruption. They are also committed to supporting the objectives that go hand in hand with this.

Since the 2017 fiscal year, in Germany, capital-market-oriented companies above a certain size have been required to disclose

non-financial information. Due to this so-called CSR disclosure rule, we have modified our disclosure structure accordingly by providing more direct and detailed information on the specific aspects that must be covered as part of non-financial reporting (see Part B). We use the UN Global Compact as the basis, which is named in the European CSR Directive as one of the international frameworks.

Furthermore, we align our sustainability activities with the **United Nations' 17 Sustainable Development Goals** (SDGs) adopted in 2015. These are primarily aimed at the states in the international community. But industrial companies are also expected to adopt them in their corporate strategy. In this way we want to show our contribution to sustainable development for society as a whole and prioritise our own fields of action.

We believe we can make the largest contributions to the following of the 17 Sustainable Development Goals:

Goal 3: Ensure healthy lives and promote well-being for all at all ages.

Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

Goal 9: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.

Goal 11: Make cities and human settlements inclusive, safe, resilient and sustainable.

Goal 12: Ensure sustainable consumption and production patterns.

Goal 13: Take urgent action to combat climate change and its impacts.



Since 2010 we have been conducting annual surveys among all Sto companies on selected CSR topics. This survey covers the relevant training and responsibilities for the individual issues within a company, compliance with social standards, such as the prohibition of child and forced labour, equal treatment of men and women, measures for occupational safety, environmental and resource protection matters, donation activities, social commitment, as well as rules on preventing corruption and violations of the law. If standards are not complied with and deviations are reported, the measures to be taken are to be described. The information is recorded centrally at Sto and then evaluated. Based on five key priority areas that we have defined as part of our sustainability strategy review, our questionnaire has been revised and integrated into a new data management software solution. The software can be used to create, document, and evaluate sustainability indicators for the entire Sto Group. In this way, an advanced reporting system for sustainability and CSR has been implemented within the Sto Group, the process of gathering relevant measures and key figures for the respective reporting period has been optimised, and the foundations have been laid for the centralised collection and analysis of data using IT-based systems. As of fiscal year 2021, we plan to report our activities more comprehensively by using corresponding key figures and dividing them into five key areas of sustainability: climate protection (energy and CO₂), environmental protection (waste, harmful substances, water), the recycling economy (disposal, recycling), health and well-being (health protection, emissions), and social responsibility (sustainability in the supply chain, compliance, donations).

As part of their sustainability initiative 'Sto-Climate', our Austrian company Sto Ges.m.b.H. also published a comprehensive sustainability report about their CSR activities in 2018. This was generated in accordance with the Global

Reporting Initiative guidelines (GRI-4 core and extended requirements) and particularly refers to fiscal years 2016 and 2017 in the Austrian market. An updated report for the fiscal years from 2018 to 2020 will be published in 2021. In addition, our Scandinavian subsidiary Sto Scandinavia AB has been producing an annual sustainability report since 2019 ('Hållbarhetsrapport'), in which the subsidiary presents information on the main sustainability activities in Norway, Sweden, Finland, and Denmark using a format of its own choice.

In view of this comprehensive documentation, we have chosen to focus on a few examples of activities in this area in this report and refer to the sustainability reports of Sto Ges.m.b.H and Sto Scandinavia AB for more detailed information.

Since 2014, Sto has participated in the sustainability initiative **Chemie³** in Germany, which was initiated jointly by the German Chemical Industry Association (VCI), the Mining, Chemical and Energy Industrial Union (IG BCE), and the German Federation of Chemical Employers' Associations (BAVC). It encompasses important guidelines for sustainable development in Germany's chemical industry and provides various tools for implementing these in practice. In 2020, we participated – in particular – in online seminars and activities linked to the initiative aimed at implementing the 17 SDGs in companies, as well as others associated with implementing a climate protection strategy and with the topic of sustainability in the supply chain.

The individual companies of the Sto Group also participate in various regional sustainability initiatives in their respective countries. For ex-



ample, in Austria, Sto Ges.m.b.H. is a member of 'respACT – austrian business council for sustainable development', the leading business platform for Corporate Social Responsibility (CSR) and sustainable development in Austria.



At Sto SE & Co. KGaA, the specifications of external frameworks are complemented by **company-internal guidelines**. In particular, these include the Sto Group's Code of Conduct, the 'Principles of Cooperation and Management within the Sto Group', which we use to translate the general ideas outlined in our Guiding Principles into concrete actions. Furthermore, the following guidelines and principles form an integral part of our strategic Group goals: 'Corporate Social Responsibility and Sustainability', 'Technology leader through a sustainable product range tailored to human needs', 'Living the corporate culture through management and employees' and 'Promoting a constructive collaboration with employee representatives'. These form the basis for our Group-wide strategic planning and are assigned appropriate measures.

Key sustainability factors

In addition to the Chemie³ sustainability check we use our **Sustainability Compass** in order to perform a concrete evaluation of single sustainability activities at company and product level. Not only does this tool ensure that all aspects of sustainability are taken into consideration, it also provides a source of support during decision-making processes in accordance with our corporate mission of 'Building with conscience'. As different criteria often have to be weighed up, the Sustainability Compass helps us create a four-dimensional mindset encompassing ecology, economy, social aspects, and well-being in order to arrive at the best possible solution.

This approach gives a pivotal role to not only the values that define the main areas of focus and the direction in which decisions are made, but also the information that enables analysis and evaluation to remain as objective as possible.



Dialogue with stakeholders

Maintaining dialogue with our stakeholders is an exceptionally important part of our sustainability efforts. We do this in a variety of formats in order to accommodate the many different subjects that are raised, often in specialist and/or product-specific areas. These include our own colloquiums involving architects, planners, tradesmen, and energy consultants, as well as events held by and with market partners, and a range of trade fairs – another area in which sustainability is becoming an increasingly pressing issue. Due to the contact restrictions for containing the coronavirus pandemic, interactions and exchange could only take place in 2020 to a limited extent. Nevertheless, many events were still hosted online, tackling key issues such as the recycling of building materials, the safe use or avoidance of specific ingredients, healthy living spaces, and sustainable construction with suitable building products.



Among other things, we consider the **awards** that Sto wins every year to be acknowledgement of this commitment. These included being named as one of 'Germany's most valuable companies' by DEUTSCHLAND TEST, a brand of Focus Money magazine, in 2020. The study assesses which companies in Germany are committed to the topic of sustainability and thus make a valuable contribution to the future. Valuable in this context means assuming ecological, economic and social responsibility and living up to this responsibility in day-to-day business.

In Austria, Sto Ges.m.b.H. managed to qualify as a finalist for the 'State Prize for Corporate Quality' and, in 2020, was awarded the jury prize for 'Best Newcomer'. The Austrian Federal Ministry for Digital and Economic Affairs (BMDW) and Quality Austria have been awarding the State Prize for Corporate Quality to Austria's most successful top companies since 1996. To compete for the State Prize, Sto had to undergo an intensive evaluation by experts from the practical field. After achieving a superb result, Sto can now count itself among the top companies in Austria rated as excellent in 2020 and can wear its 'Exzellentes Unternehmen Österreichs 2020' badge with pride. This mark of excellence testifies to Sto's economic stability and balance, its environmental consciousness and social responsibility, as well as its capacity for innovation.



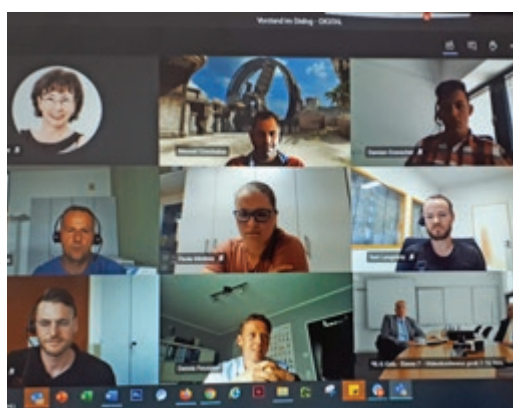
Walter Wiedenbauer, Managing Director of Sto Ges.m.b.H., and Florian Fleischhacker, Head of HR, accepted the 'Best Newcomer' award at the ceremony for the State Prize for Corporate Quality.

Based on an analysis we conducted in 2017, we identified the following as **relevant stakeholder groups** for Sto: shareholders, authorities/state, customers/consumers, service providers/suppliers, society/the public, representatives, employees, press/media, and the competition. Their respective requirements and the resulting derivation of obligations are determined and documented in the 'Stakeholder Analysis – Sustainability Check' process. At the same time, we are meeting the new requirements relating to the recertification of our quality management in accordance with ISO 9001:2015, our environment management system in accordance with ISO 14001:2015, and our energy management system in accordance with ISO 50001:2018. In accordance with the revised standards, organisations need to develop an understanding for their own context, must evaluate opportunities and risks, while paying special attention to including everyone involved in the planning of the management systems. The frequency with which the requirements of interested parties are stated is incorporated into the evaluation of the environmental aspects. In 2020, another stakeholder analysis was carried out as part of the strategy review to identify the stakeholders of particular relevance to Sto and adjust the actions being taken accordingly. For example, rating agencies and analysts in the financial sector are taking on an increasingly important role, demanding company information and non-financial key figures according to internationally valid standards as part of ESG ratings.

We participate in both national and international **associations and trade associations** to discuss important issues that affect different companies, such as new legislation and sustainability criteria for building products, the harmonisation of product directives, or the grading of hazardous materials. For example, Sto has been a member of the German Sustainable Building Council (Deutsche Gesellschaft für Nachhaltiges Bauen – DGNB e.V.) since 2008 and has served

on its advisory board for building products since 2016. At association level, Sto takes part in the 'Sustainable Building' working group of Deutsche Bauchemie e.V. (German Association for Manufacturers of Construction-chemical Products), the 'Sustainability' working group of the Verband der deutschen Lack- und Druckfarbenindustrie e.V. (German Paint and Printing Ink Industry Association, VdL), the Verband für Dämmsysteme, Putz und Mörtel e.V. (Association for Insulation Systems, Renders, and Mortars, VDPM), as well as the respective European umbrella associations in each area (such as FEICA, CEPE, EMO, and EAE). Furthermore, Sto has been an active member of the Bundesverband energieeffiziente Gebäudehülle (Federal Association for Energy-efficient Building Envelopes, BuVEG) since 2017. This association represents the combined interests of the industry sector and highlights the potential for climate protection and energy efficiency that lies in building envelopes. In Austria, Sto is a partner of the Austrian Sustainable Building Council (ASBC).

Sto also maintains a direct dialogue with non-governmental organisations (NGOs), experts, media representatives, and research institutions. We exchange views on the latest sustainability issues in the construction industry and the specific development and expectations being expressed by society, politics, and our market partners. The Österreichisches Institut für Baubiologie und Bauökologie (Austrian Institute for Building Biology and Building Ecology, IBO) in Vienna and the IG Passivhaus Tirol (Tyrolean Passive House Union), which connects experts from the building industry and would like to establish the passive house concept as a standard, are doing important scientific and practical work. Additional key sources of momentum and opinions are provided at and by events held as part of the Chemie³ sustainability initiative as well as those held by the initiating associations VCI, IG BCE, and BAVC, the national networks of the Global Compact, and the regional meetings



In 2020, the 'In a dialogue with the Executive Board' event series was hosted via the Microsoft Teams digital communication platform.

of the Wirtschaftsinitiative Nachhaltigkeit (Economic initiative for sustainability) in the German state of Baden-Württemberg.

Exchange with Sto employees and intensive internal communication are also of great importance and are specifically promoted at all levels. Among other things, the event series 'In a dialogue with the Executive Board' has been offered at the headquarters in Stühlingen and other decentralised locations in Germany since mid-2018. Every three months, the Sto Executive Board invites a group of employees from all areas of the company to take part in discussions and ask questions in a relaxed atmosphere. The Executive Board is there to answer these questions and gather valuable suggestions from the participants. In 2020, these conversations were conducted online.

Product Information

We consider it vital to engage with these environmentally relevant and health-related topics in an open and honest manner, as it is not just down to us to determine how the sustainability of our products is interpreted and evaluated – the opinion and decisions of the public, experts, market partners, and customers also play a role.

Comprehensive information and transparency, especially with regard to environmental and health aspects of our products, aim to provide assistance in this regard.

We provide numerous services that are designed to support customers and market partners in their quest for sustainable solutions. The expert service provided by Sto employees represents the most important element in this. For this reason, we also communicate sustainability to our staff in detail and give them intensive training in handling it. This personal approach to delivering information is accompanied by eco-labels, product declarations, and product data sheets.

Labels & certificates

Environmental labels and certificates such as Der Blaue Engel, TÜV, and natureplus® are primarily aimed at end consumers, private consumers, and public procurers. For building certification systems such as the one provided by the DGNB, environmental certificates are often used as proof of a particularly high ecological standard. Products are evaluated based on various criteria defined by the relevant issuing authority.

Sto has been using external monitoring by recognised testing institutes for more than 30 years, and has had a large number of products certified in the areas of thermal insulation, facade coating, and interiors; recertification is carried out where a certification has expired. The natureplus® eco-label for EWIS confirms not only that the products efficiently save energy, but also that stricter energy efficiency requirements are fulfilled in the product's production, environmental properties, and substances in the system components. The Blue Angel (Der Blaue Engel) for EWIS certifies the use of materials which result in less of an impact on the environment compared with other products within their product group, and which contain no harmful substances requiring disposal, demonstrate excellent durability, and are installed in accordance with statutory regulations.

A large part of our interior product range carries the TÜV seal of quality awarded by TÜV SÜD – 'low-emission, physiologically harmless, and production monitored' – or has been tested for harmful substances in accordance

with Oeko-Tex® standard 100. Several of our interior products are also natureplus®-certified, meaning that they adhere to the very strictest criteria in respect to their composition, substance prohibitions, emissions, raw material extraction, pre-product manufacturing, production, and application.



For the Swiss market, we additionally label our interior products with the Swiss eco-label from the Stiftung Farbe (Paints Foundation). Meanwhile, Sto interior products in France are consistently labelled with the French VOC label 'Émissions dans l'air intérieur'.

Since 2019, we have been using our own seal of quality for the labelling of preservative-free products. In this way, we meet the growing need for building products that do not have any health risks, and offer quick orientation, especially for people who are sensitive even to small amounts of preservatives and who could have an allergic reaction. If we protect products with preservatives from premature deterioration, we only use them to the extent that is technically necessary, provide transparency on the substances used in data sheets, and label them with a seal of quality indicating that these products are also low in emissions, solvent- and plasticiser-free and have been tested for harmful substances by an accredited institute.

The numerous eco-labels available in the form of private and public product labels are posing an increasing challenge. In most cases, they are only recognised at national level and can therefore only offer added value in single markets. Products that have already been labelled would then have to be given different eco-labels for different regions, or their certifi-

cates would require additional declarations. To avoid this, we have increased the scope of our external monitoring arrangements and now ensure that the TÜV SÜD reports on the emission behaviour of our products also include details of compliance with other national and international standards.



Sustainability Data Sheets

The voluntary self-declaration – in the form of Sustainability Data Sheets that we have developed ourselves – supplements the product information on environmental labels, and meets the increasing demand for concrete, product-specific data on ecological and health-related criteria. Spanning around four pages, Sustainability Data Sheets provide all the key information on the DGNB and LEED building certification systems, as well as substances, emissions, and other environmental aspects. Like our Technical Data Sheets and Safety Data Sheets, they are available to download free of charge or can be sent directly upon request. Sustainability Data Sheets in 20 different languages were available for around 500 Sto products as at the end of 2020. Moreover, the data sheets are revised on a continuing basis, because various criteria and standards referred to in our information are revised or supplemented at regular intervals.

Environmental Product Declarations (EPDs)

Environmental Product Declarations (EPD) in accordance with EN 15804 represent a third building block in our efforts to provide information about the sustainability of Sto products.

Central to these declarations is a Life Cycle Assessment (LCA) as well as additional information, e.g. about aspects such as the production process, service life, and provisions for recycling of a product over its entire life cycle. EPDs are purely informative and do not assess a product but require verification from an independent third party. This internationally valid document explains numerous building product properties from an environmental perspective and provides useful data for determining a building's sustainability, a factor that primarily depends on the building material used. There is a particular demand for EPDs for building certifications on the Scandinavian market as well as for building projects certified in accordance with BREAM, LEED, and DGNB.

We use so-called model EPDs for the majority of our products. These are developed in collaboration with various associations on the basis of framework formulations, with each representing a product group. This removes the need for the time-consuming process of calculating and producing individual, product-specific EPDs for every single manufacturer. Due to the standardised validity period of five years, numerous EPDs of the national associations expired in 2019. For the most part, these will be successively replaced by model EPDs of the European umbrella organisations to ensure pan-European deployment. In 2020, we overhauled the allocation of our products to currently valid EPDs and conducted a gap analysis to determine the EPD coverage rate of our products. From this we will derive the need for further measures to prepare EPDs and life cycle assessments.

As part of its consumer protection efforts, the European Union wishes to promote the provision of individual, product-specific, ecological parameters and launch a standardised eco-label on the European market that is based on a life cycle assessment. To this end, the European Commission initiated the Product Environmental Footprint (PEF) project

and various pilot projects from 2013 to 2017, including some on paints and insulation materials that Sto was informed about and some of which Sto was involved in. The EU started a consultation process in 2018 to obtain feedback on the use of existing environmental labels and methods of ecological evaluation of products to allow them to make a decision on the further development of PEF after the pilot phase. At the same time, the European Commission revised the criteria for life cycle assessments in accordance with the European standard EN 15804 and verified their compliance with the PEF methodology.

This development is relevant with regard to the comparison of the environmental performance of individual construction products, in particular the so-called 'grey energy' and the CO₂ balance, as envisaged, for example, by the European Commission or the DGNB. In future, planners, architects, investors and consumers are to select building products not only according to technical, economic, and aesthetic parameters, but also on the basis of concrete environmental information that reflects the complete life cycle of a building product. Sto caters to this development by providing EPDs and by keeping a close eye on and participating in the PEF programme. At the same time, we believe this poses methodical risks and additional costs for our company. In principle, we prefer the comparison of building products at the building level in relation with a specific building project, since building products are intermediate products whose performance and environmental impacts can only be assessed concretely and holistically on the building. Furthermore, a high data quality and uniformity of databases must be guaranteed in order to exclude uncertainties in the calculation and to not distort the direct comparison of construction products. The provision of life cycle assessments on the basis of individual products – model EPDs would no longer be

usable according to the philosophy of direct comparison of individual construction products – involves a great deal of effort, which we would have to take into account and plan for accordingly in a timely manner in terms of personnel and within our organisation. Together with the associations, we continue to lobby for the creation and general acceptance of model EPDs which, in our view, show a good balance between life cycle assessment accuracy and economic expenditure.

In parallel with this, we are preparing to purchase software that will allow us to calculate life cycle assessments for our products independently, and that will provide a solid basis for optimising ecological aspects and creating our own product-specific Environmental Product Declarations.

Part B

Report on the material non-financial aspects based on the ten principles of the UN Global Compact

The 10 principles of the UN Global Compact

Human rights

- 01 Businesses should support and respect the protection of internationally proclaimed human rights.
- 02 Businesses should make sure that they are not complicit in human rights abuses.

Labour

- 03 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
- 04 Businesses should uphold the elimination of all forms of forced and compulsory labour.
- 05 Businesses should uphold the effective abolition of child labour.
- 06 Businesses should uphold the elimination of discrimination in respect of employment and occupation.

Environment

- 07 **Businesses should support a precautionary approach to environmental challenges.**
- 08 Businesses should undertake initiatives to promote greater environmental responsibility.
- 09 Businesses should encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

- 10 Businesses should work against corruption in all its forms, including extortion and bribery.

Information on the principles 1 to 6: Human rights and labour standards

At the end of 2016, the Federal Cabinet adopted the National Action Plan for Business and Human Rights 2016-2020 (NAP), thus implementing the corresponding guiding principles of the United Nations. The aim is to enforce compliance with human rights in global supply chains. In addition to the state's duty to protect, the responsibility of companies is also addressed. The Federal Government expects all companies to integrate the following five core elements of due diligence in the field of human rights in the supply chain into their business processes in a manner appropriate to their size, industrial sector, and position:

- 1) A human rights policy statement
- 2) Procedures for the identification of actual or potential adverse impact on human rights
- 3) Measures to ward off potentially adverse impacts and review of the effectiveness of these measures
- 4) Reporting
- 5) A grievance mechanism

As a concrete goal, the NAP stipulated that at least half of all companies in Germany with more than 500 employees were to have sufficiently integrated the core elements of due diligence in the field of human rights into their business processes by 2020. To this end, the German government has developed a monitoring procedure that monitors the progress of companies according to scientific standards. The NAP monitoring process completed by the German Federal Foreign Office in mid-2020 revealed that the set target of 50 % had not been met. Consequently, duty of care all along the supply chain is to become a legal requirement and subject to checks under a piece of legislation referred to as the 'Supply Chain Act'.

This trend towards statutory regulations also continues to develop at a European level in the form of the debate around a European supply

chain law, and in other countries as well. For example, a Dutch act on the duty of care against child labour has been adopted and will come into force in 2022. This act will require all companies doing business with the Netherlands to identify child labour in their supply chains and implement remediation plans.

It is important to us that all actors along the value chain are guided by the principle of sustainability, including in particular the observance of international human rights, and labour standards.

In the Sto Group, we combine economic success with social responsibility and environmental protection. The group is oriented towards quality and operates internationally. This is why our standards of conduct are the same worldwide.

Compliance with legal and ethical standards is integral to our understanding of good corporate governance. The principles laid down in our mission statement and in the UN Global Compact, our 'Principles of Cooperation and Management within the Sto Group', the strategic Group goals as well as the general obligation to comply with the law apply to our own sites and companies.

Ensuring compliance is an essential part of our daily work. We foster a culture of honesty and personal responsibility, which is supported by the legally compliant conduct of all employees. Since 2018, the Sto Group has had a Chief Compliance Officer.

A Code of Conduct was introduced for the Sto Group in 2019, which serves as a binding guideline for acting with integrity. It is binding for all employees, available in 17 languages, and valid worldwide. The Code of Conduct summarises important laws and internal company rules governing conduct in business dealings with third parties, in dealings with the public, and also for day-to-day interaction within the Group. It is intended to assist in making the right decision but cannot conclu-

sively describe the wide variety of business activities of the employees of the Sto Group. We therefore offer further information and topic-specific support, for example in the form of trainings. In order to identify and avoid human rights violations, appropriate data and information are required. With the introduction of a whistle-blower system for compliance infringements, we have been offering such a standardised complaints mechanism since 2017. The system is easily accessible to those potentially affected. It is described in more detail under Principle 10 'Anti-Corruption'. We obtain information on deviations and corresponding countermeasures regarding the ten principles of the UN Global Compact via our annual 'CSR inquiry'.

Discrimination based on origin, gender, religion or belief, disability, age, or sexual identity will not be tolerated. Detailed information on the topic of diversity can be found in the Corporate Governance Report in this Annual Report.

We also require our suppliers to accept the Global Compact principles and thus assume certain minimum obligations. We procure the majority of our raw materials from countries that have implemented high social standards which they also monitor. Through our 'Supplier Code of Conduct' we generally demand voluntary self-commitment to the above standards and principles, and use a questionnaire to obtain information on the compliance with them.

With a view to meeting the more extensive requirements concerning risk management within the supply chain, we implemented a digital process in the area of materials management in 2020 so that we could monitor the entire process. This application – known as a supply chain risk management solution – is helping our purchasing department to identify risks in the supply chain, to evaluate the extent of loss/damage, and to introduce suitable measures. Risk potential is identified at an early stage so

that the ability to deliver and compliance are ensured. As soon as a potential risk is identified, the strategic purchaser is informed and measures for averting the risk can be immediately put in place. In 2021, the software is to be rolled out comprehensively to all Sto subsidiaries. We are also evaluating the participation in a suitable industry-specific initiative, such as the chemical industry's 'Together for Sustainability' initiative, to further promote 'Sustainability in the supply chain'.

With regard to our products, we see an important contribution to the observance and consideration of human rights in providing professional and transparent information. We provide information on the correct use of our products as well as their ingredients and harmful substances in our Technical Data Sheets, Safety Data Sheets, and Sustainability Data Sheets which we provide internationally in the language(s) of the respective country.

In a broader sense, socially relevant issues such as **health and well-being** can also be seen from the perspective of human rights and labour standards. Where buildings are concerned, this particularly touches on areas such as thermal and acoustic comfort, indoor air hygiene, and health protection. Sto building products, such as sound-absorbing acoustic panels and paints with a photocatalytic effect, have the potential to make a direct, positive impact on these subjects of concern. At the same time, the ongoing analysis and external monitoring to which we subject our products ensure that applicators and users receive safe goods of excellent quality. Any potentially harmful substances are indicated transparently in Safety and Sustainability Data Sheets as well as Environmental Product Declarations. Many of our products are certified in accordance with natureplus®, TÜV SÜD, and other eco-labels. This confirms that the impact of raw materials or emissions on health and the environment is either ruled out altogether or reduced to a minimum.

Information on the Principles 7 to 9:

Environment

Environmental protection is an essential aspect of our sustainability activities. Our products contribute to minimising the environmental impact of buildings, e.g. through energy-saving insulation measures, the protection of the building envelope, and measures to maintain the building fabric. We are also actively working to minimise the environmental impact of our products, our production and our corporate activities, for example by using renewable energy, using resources sparingly and avoiding waste. We strive for the responsible use and procurement of natural resources (water, energy, materials, and land) in the manufacture and sale of our products and services. Each individual employee is to contribute to the protection of the environment within his or her sphere of responsibility and influence. We also go beyond legal standards and commit ourselves to voluntary environmental and energy management standards such as ISO 14001 and 50001.

Climate protection

The Fridays for Future movement, the UN Climate Conferences, the climate package of the German government and the EU Green Deal demonstrate that the issue of climate protection, which has always been a focal point of Sto's activities, has become a central concern of society and a dominant topic in national and international politics.

The **German government's climate package** is a bundle of various measures, which for the first time, sets binding climate protection targets and a mechanism for annual review. It underlines the efforts to achieve climate neutrality for Germany by 2050. Alongside the introduction of a CO₂ pricing system, a separate climate protection law has also been passed. Buildings play a central role in achieving Germany's energy and climate targets, as they are responsible for about 35 % of final energy

consumption and for about a quarter of CO₂ emissions in Germany across various sectors. The tax incentives for energy-efficient building refurbishment introduced on 1 January 2020 are expected to increase demand for energy-efficient refurbishment to put the building stock on a sustainable path and achieve the climate targets.

The European Commission presented the **EU Green Deal** on 11 December 2019. With this package of measures for ecological change, Europe is to become climate-neutral by 2050. It includes initiatives in the political areas of clean energy, buildings and renovation, sustainable industry and mobility, biodiversity, de-pollution and sustainable food chain. The entire industry is to be mobilised to create a climate-neutral and cycle-oriented economy, with a particular focus on the construction sector. Among other things, this is reflected in the 'Circular Economy' action plan, which includes a strategy for sustainable, recyclable products. In addition, the EU Commission wants to initiate a surge in renovation together with the member states. This is to be achieved by enforcing legislation on the overall energy efficiency of buildings. The strategy for the surge in renovation also highlights the potential for renovating around 35 million buildings by 2030 and for creating an extra 160,000 jobs in the building industry.

At the **UN Climate Change Conference** at the end of 2019, the almost 200 countries agreed on a joint political final declaration and pledged to intensify their climate protection targets for 2030 wherever possible. However, it was not possible to adopt rules for the international trade in carbon credits. These are intended to offer industrialised countries an opportunity to also support climate protection in other countries by generating climate protection certificates through green projects in developing countries. Sto welcomes this approach and has been supporting the 'Allianz für Entwicklung und Klima' (Development and Climate Alliance) since 2019.

This alliance, founded by the German Federal Ministry for Economic Cooperation and Development (BMZ) in 2018, aims to simultaneously promote development and climate protection. It explicitly encourages non-governmental commitment, especially from the private sector. The activities of all supporters are always voluntary, go beyond existing legal CO₂ reduction obligations and are carried out through participation in high-quality development and climate protection projects. In the future, the projects supported within the framework of the alliance – as well as avoidance and reduction measures – will contribute to achieving climate neutrality.

The manifold national and international climate protection efforts motivate us to continue to treat climate protection as a key focus of our sustainability activities and to intensify our measures in five strategic fields of action:

- 1) Climate protection in the buildings sector through the use of Sto products
- 2) Increase in energy efficiency in our own operations (especially via ISO 50001)
- 3) Generation of regenerative energy at our own locations
- 4) Sourcing of certified green electricity
- 5) Compensation measures through the purchase of climate protection certificates.

In 2016, we introduced an **energy management system** in line with the global ISO 50001 standard in order to provide a methodical tool for recording, implementing, and tracking all the climate protection activities taking place in the Sto Group. In doing so, we have laid the foundations for a continuous improvement process relating to energy efficiency. At the same time we are meeting the legal requirements for performing energy audits in accordance with EN 16247-1. As at the end of 2020, the headquarters of Sto SE & Co. KGaA in Stühlingen/Germany, all production locations and SalesCentres in Germany as well as five subsidiaries had a certification in accordance with ISO 50001.

The systems that have been implemented ensure that the use and purchase of renewable sources of energy are constantly monitored, and that energy consumption and the CO₂ emissions of our fleet of vehicles are permanently reduced. Energy efficiency measures implemented in buildings and investments are also monitored, and we encourage employees to play an active role in all our initiatives for saving energy. In the context of replacement and new investments in operating resources, machinery and equipment, an examination of energy efficiency in accordance with the state of the art as well as technical and economic aspects are also taken into account. Our medium-term goal is to identify verifiable changes via our energy management system.

We have defined the optimisation of energy-related services as an important goal in the Sto Group. To achieve these values, individual projects were defined and action plans were drawn up. Yearly consumption values that are recorded and analysed monthly, form the basis for the determined key figures. Measured by the units audited, we have been able to achieve total energy savings of around 1 % per year since 2014.

Due to a very high level of efficiency of around 95 % in the production facilities assessed so far, it is difficult to identify and implement further measures to increase energy efficiency in the immediate business operations. Nevertheless, further progress was achieved in 2020. This included making savings by implementing technical measures within production and logistics, and introducing energy-efficiency measures in buildings, e.g. by replacing heating systems and windows or installing rapid action doors.

With a view to generating more savings, strategic actions were also decided for the years 2020 to 2022, such as carrying out the energy-efficient refurbishment of existing buildings or partially switching from diesel to

electric vehicles within the car fleet. In total, the package includes an investment volume of around EUR 500,000 and, by 2022, is expected result in roughly the same amount being permanently saved in terms of energy (measured in kWh). As things currently stand, this means that approximately one EUR has to be invested to reduce energy consumption by one kWh. Therefore, in addition to the aforementioned technical measures and associated investments, we are increasingly looking at how efficiency and cost-saving measures can be achieved by making changes and optimising processes and production sequences. An important element of our energy management system is the network 'Energieeffizient bei Sto' (Energy Efficiency at Sto). This network was founded in 2016 and, via the Verband der Chemischen Industrie e.V. (German Chemical Industry Association), is registered as the official energy efficiency network of the German federal government and representatives of the German economy. It offers an open exchange of experience and ideas between company units and locations in order to increase energy efficiency. The network members meet twice a year. Measures that have been implemented are presented and discussed as to whether they can be transferred to other locations as well. At the meetings held in 2020, the technical, strategic, and organisational measures were presented and discussed in depth in the context of the energy management action plan. In the course of this, it became clear – just as in the preceding years – that additional savings are mainly to be achieved through strategic and organisational measures and that, by contrast, the technical possibilities have largely been exhausted in many areas. The meetings were also used as an opportunity for sharing experiences of collecting data via energy management software and discussing how this data could be used for further energy-saving initiatives.



A deliberate extension of our climate protection measures is the compensation of unavoidable greenhouse gas emissions through the purchase of certificates. The Austrian Sto Ges.m.b.H. has taken this path in the implementation of climate protection measures already since 2018. It records its CO₂ emissions which cannot be avoided through procurement, production, administration and logistics, throughout the entire company, and compensates for them by purchasing CO₂ certificates. By acquiring certificates for the emission of 10,000 tonnes of CO₂, Sto Ges.m.b.H. has become climate-neutral from 2018 to 2021. This means that its unavoidable greenhouse gas emissions are fully offset by supporting a hydroelectric project in Uganda and a solar and wind energy project in India.

Since 2018, the Scandinavian subsidiaries Sto Denmark A/S, Sto Finexter OY, Sto Norway A/S, and Sto Scandinavia AB have also managed to make their operational activities climate-neutral. The CO₂ emissions generated annually in Denmark, Norway, Sweden, and Finland are balanced and offset. In 2020, corresponding certificates were obtained to compensate for the 3,257 tons of CO₂ emissions generated in 2019, thereby helping to support selected projects according to the international 'Gold Standard'. Furthermore, the process of preparing a CO₂ balance sheet for all ISO 50001-certified locations in Germany was completed in 2020. For reasons of data availability, this balance sheet relates to the 2018 year under review and shows the total emissions of approximately 20,000 tons of CO₂ equivalents. In 2021, these emissions are likewise to be compensated by purchasing climate protection certificates and the relevant business units rendered climate-neutral. The aim is for the entire Group to become climate-neutral by 2025.

Indirect Procurement is another area where a sustainable approach is constantly being

adopted as part of our day-to-day business activities and project work, as can be seen from our paper consumption. Over recent years, we have managed to reduce our internal paper consumption significantly across the whole of Sto. The remaining minimum need for paper that must be met is covered in as environmentally friendly a way as possible by using certified products; at the Stühlingen site, this is going to be achieved in a climate-neutral manner from 2021. The supplier compensates for the unavoidable carbon dioxide emissions by investing in an internationally recognised climate protection project. In addition, the number of deliveries is kept to a minimum.

The 'Forum Bausanierung' (building renovation forum) – a major event that took place in Stuttgart/Germany in February 2020 – was also climate-neutral, with four tons of CO₂ equivalents being offset by climate protection projects in Brazil, Ghana, and India.

Climate protection on product level

We also compensate for CO₂ emissions at product level by purchasing certificates and thus make them climate-neutral. In 2020, this applied to the products StoCryl BF 700 and StoCryl V 700 from the portfolio of StoCretec GmbH. Among other things, the relevant certificates are used to support a hydropower project in Madagascar, which contributes to avoiding more than 300 tonnes of CO₂. In Austria, we made eleven more products climate-neutral and were able to compensate for around 1,250 tons of CO₂ by purchasing corresponding certificates. In Scandinavia, we compensate for the CO₂ emissions associated with our StoColor Lotusan product through appropriate certificates as well. In this way, 666 tons of CO₂ were eliminated in 2020 thanks to a water treatment project in Kenya that carries out water purification with water filters rather than firewood so as to conserve forests.

Mobility, logistics, and procurement

Mobility represents a key area of climate protection in terms of reducing kilometres, fuel and CO₂. With the help of modern monitoring systems, we optimise truck and transport routes, ensure a solid degree of utilisation, use DHL GoGreen, and promote economical and environmentally conscious driving. By producing building products regionally, we avoid many transport kilometres. In Villach/Austria, for example, local production compared with imports from Germany means that 315,000 truck kilometres are avoided at an annual production volume of 8,000 tonnes of material, which corresponds to savings of over 94,000 litres of diesel and a reduction in CO₂ emissions of around 550 tonnes per year. One particularly ambitious project undertaken in 2020 involved changing the way products get transported to our subsidiary in Sweden from the Verotec GmbH plant in the Bavarian town of Lauingen.

By switching from road transport to rail, we managed to reduce the transport-related CO₂ emissions by approx. 65 %.

Another way to reduce emissions in the Sto Group is the composition of the car fleet. Fuel consumption accounts for around one third of the total energy consumption of the business units that are within the scope of the ISO 50001 certification. This is why we attach particular importance to the appropriate selection of company cars, efficient travel and route planning as well as training for sales representatives on fuel-efficient driving. Due to the contact and travel restrictions resulting from the coronavirus pandemic, the amount of fuel consumed by the Sto SE & Co. KGaA car fleet fell by around 20 % in 2020. The average value of CO₂ emissions of cars available for new orders fell by around 10 % from 127 g/km in 2014 to 114 g/km in 2020, while fuel consumption for the passenger car fleet was reduced by approx. 10 % from an average of 6.9 l/100 km to approx. 6.2 l/100 km over the same period. Furthermore, in 2020, we ordered five electric vehicles for Sto SE & Co. KGaA.

2020 also saw the finalisation of plans to install five more car charging stations at the Stühlingen site. This will double the amount of charging capacity from 2021 and will enable employees with an electric vehicle to access charging facilities much more easily.

To avoid travel-related emissions and costs, we also use video conference rooms in our locations worldwide as well as software solutions for location-independent online meetings. These solutions particularly proved their worth in 2020 due to the contact and travel restrictions imposed as a result of the coronavirus pandemic, ensuring that business activities could continue efficiently while at the same time significantly reducing travel-related emissions and costs.

With respect to procurement within the Sto Group, regional products – wherever this is possible and economically feasible – are given



preference in order to keep the transport routes short and the resource consumption low. In Germany, around 72 % of the purchasing volume of the main raw materials, such as mineral extenders, and packaging are procured within a maximum radius of 350 km and insulation boards usually within a maximum radius of 250 to 300 km.

Our climate protection activities are also attributable to procurement through the consistent sourcing of certified green electricity from 100 % hydropower. This made it possible to save more than 4,500 tonnes of CO₂ in 2020 when compared to the German electricity mix.

As a manufacturing company that uses raw materials from mining and the chemical industry and that markets its products worldwide, it is unavoidable to have an influence on the environment. However, through conscious handling, we consider the resulting risks to be relatively small and well manageable. Major environmental damage, for example due to unintentional leakage of chemicals, is avoided through high safety standards. Internal environmental officers at the production sites ensure that hazards are identified at an early stage and measures are initiated promptly.



In 2020, Sto SE & Co. KGaA drew up plans for five further charging stations that will allow employees and guests to charge their electric vehicles from 2021.

We see a general, non-insurable business risk in that natural events can influence the supply of raw materials and production. Identifiable risks in our companies due to the effects of weather are recorded via our risk management system. In principle, our sales are subject to weather-related fluctuations in many markets. This risk is explained in the management report. Environmental management systems

An important element of corporate environmental protection are our established environmental management systems. As at the end of 2020, half (17 out of 34) of our production sites worldwide had been externally certified in accordance with international standard ISO 14001. The implemented systems ensure a methodical and verifiable group-wide approach and allow the continuous identification of improvement measures, which is an essential requirement for optimum control of business operations.

Environmental aspects at ISO 14001-certified sites are identified and assessed once a year and cover the entire product life cycle, i.e. from research and development through procurement and production to sales and disposal. Concrete environmental goals are derived from this, e.g. the reduction of waste through optimised processes. The result is validated as part of an internal audit. The process owner is responsible for implementation.

Within the scope of the certificates 9001:2015 and 14001:2015, which cover a total of 27 (ISO 9001:2015) and 17 (ISO 14001:2015) production sites, no deviations from legal requirements were identified by internal audits in 2020. The operators have not reported any deviations at present. Compliance with the contents of the quality and environmental management systems at the relevant locations, that include occupational health and safety, infrastructure and buildings, security, environmental protection and obligations,

has been substantiated through safety-related supervision.

Environmental and resource protection on product level

Aspects of environmental and resource protection also play an important role in our products. The majority of Sto products are coatings which are used to protect buildings. This is, in itself, one of the most important contributions we make towards sustainability as far as durability, weather protection, building preservation, and, therefore, resource protection are concerned. Without a protection layer, buildings would age much more quickly and then require refurbishment years earlier than anticipated. Additionally, our especially hard-wearing coatings help protect the rain screen of insulated buildings from external influences – an increasingly important factor to consider given the rising number of storms and occurrences of heavy rainfall with accompanying hailstorms worldwide.

Furthermore, we continuously optimise our products with regard to a better environmental compatibility and health protection. These include the reduction and avoidance of the use of solvents and plasticisers that began in the 1980s, the consistent encapsulation of biocides as film protection agents since 2010, and the early switch-over from the now banned flame retardant HBCD to polymer FR in EPS insulation boards in 2015.

To avoid biocides as film protection agent, Sto offers various solutions, in particular our facade paints StoColor Dryonic and StoColor Lotusan, which use a biomimetic active principle to ensure dry facades that are protected against algae and fungi. The avoidance of biocides is also the topic of 'preservative-free products'. In 2020, this played a major role in the area of in-can preservation of indoor products. With the use of in-can preservatives, the industry has succeeded in ensuring that the majority of paints, varnishes, and other organic

coatings are now water-based and solvent-free as these products are not attacked by bacteria and fungi. In-can preservatives are covered by the Biocidal Products Ordinance and are subject to the two-stage authorisation procedure described therein. At the same time, the demand has risen for preservative-free products without compromising the functionality and shelf life of the products. In order to meet these demands, we have adapted the product property 'preservative-free' for dispersion silicate products. Through our activities in associations, we are at the same time committed to reaching a standardised definition of the term 'free of preservatives', and appropriate handling of preservatives in technically demanding product groups. The political discussion on the potential health risks posed by the white pigment titanium dioxide continued in depth in 2020. Despite considerable resistance, on 4 October 2019, the European Commission decided to classify and label titanium dioxide in powder form as 'probably carcinogenic by inhalation' (category 2). This classification also applies to titanium dioxide that forms part of a powder-form mix. The Commission has also adopted mandatory warning messages for liquid and solid mixtures containing titanium dioxide. This means that almost all liquid paints and varnishes must be labelled, regardless of whether they are suitable for spray applications at all.

In our view, this decision neither seems to make sense nor does it seem to be justified, as titanium dioxide is not released in powder or dust form by Sto products. While recognised experts say that there is no case worldwide of any health hazard from inhaling titanium dioxide, the EU Commission saw an urgent need for action, giving the impression that the industry is using titanium dioxide unnecessarily or irresponsibly. Since the potential hazard of inhaling large quantities of titanium dioxide is a pure particle effect and has nothing to do with the properties of titanium dioxide as

a substance, the German government also advocated addressing possible health hazards from dusts on occupational health and safety within the framework of European regulations instead of the classification of titanium dioxide as a hazardous substance. Exposure of consumers to dust-form titanium dioxide is practically excluded and we continue to consider the use of titanium dioxide in our products to be safe.

Nevertheless, labelling causes uncertainty for users and consumers, the exclusion of eco-labels for products containing titanium dioxide and open questions on the classification of waste and the treatment of dust-form construction waste containing more than one percent powdered titanium dioxide (e.g. building rubble) under waste regulations. However, there are doubts about the legality of the Commission's decision due to various infringements of existing EU law, so that the dispute over the classification of titanium dioxide 2020 was continued at the European Court.

For exteriors, Sto has also been offering StoColor Photosan for many years. This innovative facade coating actively counteracts environmental pollution and significantly reduces the formation of fine dust. In numerous cities, the statutory limits for fine respirable dust are being exceeded more and more often. This impairs people's quality of life and health. Our surface-active facade paint automatically and effectively breaks down nitrogen oxides and ozone pollution, and can thus make an important contribution to improving the air quality in cities and municipalities.

Our activities to make our products easier and better to dismantle and recycle have again formed a focal point in 2020. We regard this as a major strategic development task in the construction industry.

Approaches for increased resource protection and recycling are the use of recyclates, such as waste glass in StoVentec Carrier Boards and PET

in Sto acoustic panels, as well as the selection of raw materials and components that can be recycled as easily as possible and fed back into existing circuits. These include, for example, stainless steel and aluminium in RSC sub-constructions. In addition, packaging materials and uncontaminated, HBCD-free EPS insulation boards are recycled via certified return systems. At the Austrian location in Villach, unused paints, plasters, renders, and adhesives from Austria and other countries are returned to the cycle for recycling production and processed into our own highly recyclable products – at a consistently high quality and to the benefit of the environment.

In 2019, the European Union adopted a directive that, among other things, will ban certain disposable plastic products by 2021. Waste avoidance, recycling and circular economy are also the focus of political discussions at a national level: The Federal Ministry for the Environment wants to introduce a duty of care for goods in the Circular Economy Act. This means that in the future, returned goods or goods that are still usable should only be destroyed if this is necessary for safety or health reasons. In 2019, we set up a group working on 'Sustainable Packaging Management'. The group devotes a considerable amount of effort to these issues and, in 2020, has developed approaches to reduce, recycle or replace packaging with more ecological materials. We attach special importance to developments in dismantling and recycling methods in the area of external wall insulation systems with polystyrene. In 2020, the implementation of the solvent-based Solvolys process (CreaSolv® process) for the recycling of EPS insulation materials and other polystyrene products was continued. As part of the 'PolyStyreneLoop Cooperative', work started in the Netherlands on the construction of the first facility to offer an annual EPS waste handling capacity of 3,000 tons. In 2020, we also successfully completed practical testing of

an internal development project focusing on the recycling of EPS waste at Innolation GmbH in Lauingen/Germany. In addition to considering the technical feasibility, we also checked and confirmed that the necessary permits could be obtained in accordance with the waste and emissions legislation. The facility produces high-quality gas, which can be used on site for energy processes and potentially also for material processes as well. Thanks to these two developments, not only will thermal recycling at waste incineration plants be possible in the future, but cost-effective material recycling options will also be available on a decentralised basis for EPS waste containing the flame retardant HBCD.

Two research projects that were being actively supported by Sto and focused intensively on the recycling of building products were continued/completed in 2020. In cooperation with DECHEMA Gesellschaft für Chemische Technik und Biotechnologie e.V. (DECHEMA Association for Chemical Technology and Biotechnology), the pilot project 'KUBA – Nachhaltige Kunststoff-wertschöpfungskette: Pilotfall Kunststoffe in Bauwirtschaft und Gebäuden' (KUBA – Sustainable plastics value chain: Pilot case – Plastics in the building industry and buildings) was carried out from 2018 to 2020. The aim of the project was to develop a concept for the sustainable use of plastics from the building sector and for the recycling of a considerable part of the carbon in building plastics. The results of the pilot project – which was funded by the Federal Ministry of Education and Research (BMBF) – will be published in 2021. Further research topics will continue to be addressed in follow-up projects, including how to optimise the treatment of mineral and mixed construction waste, as well as chemical recycling technologies, particularly pyrolysis processes for processing organic waste from dismantling work.

The research project 'RESSOURCE.WDVS – Ressourceneffiziente Nutzung von qualitäts-gesichertem Sekundär-EPS sowie der miner-

alischen Fraktionen aus WDVS' (RESSOURCE.WDVS – Resource-efficient use of quality-assured secondary EPS and mineral fractions from EWIS) was continued in cooperation with the Institute for Water, Resources and Environment at Münster University of Applied Sciences. The aim of this project is to develop a collection and recycling concept for EWIS waste which, in addition to developing a suitable processing technology for separating EWIS components, also includes optimised logistics and reliable separation of EPS qualities (free from HBCD/containing HBCD).

Information on Principle 10: Anti-Corruption

All forms of bribery and corruption are unacceptable for us and will not be tolerated. Further details relating to corporate governance at Sto can be found in the Corporate Governance Report in the current Annual Report. We also require our suppliers to observe the Global Compact principles.

The transparency required for the increasingly complex business processes is ensured by the Compliance Officer together with the Internal Audit department, which also takes account of the growing compliance requirements. The Compliance Manager has produced a Compliance Management Manual, which has been used to formally document the Compliance Management System since 2018. Via the Compliance Management System, we convey the message that compliance is a constant and ever-present reality at Sto. The companies within the Sto Group wholeheartedly and unconditionally subscribe to the principle that sustainable economic success can only be achieved by complying with the legal requirements and dealing fairly with competitors, customers, and employees. An effective Compliance Management System does not just reduce liability and reputation risks; it also helps to secure the trust of our stakeholders,

particularly our customers, thereby laying the foundation for achieving our corporate objectives. Breaches of the Compliance Programme will not be tolerated and always result in disciplinary sanctions, which are applied consistently. The Compliance Management System uses an integrated approach and is organised on a cross-departmental basis. The tools used to meet the compliance objectives include, among other things, the following: the identification and evaluation of compliance risks, the creation of directives to avoid or minimise the compliance risks identified, training programmes, a review of compliance with statutory provisions and internal directives, the identification of compliance infringements, and the receipt and clarification of tip-off information. In 2017, Sto introduced a reporting channel in case of compliance infringements. This reporting channel is publicly accessible via our website. Reliable reporting of compliance infringements and the protection of whistle-blowers against sanctions are indispensable for effective compliance, as they contribute to the reporting, comprehensive investigation and clarification of possible misconduct. The online compliance reporting system is a secure way of reporting possible infringements. This way, infringements can be recorded at any time any day from anywhere in the world. The whistle-blower system is open to employees, managers, customers, suppliers, and other stakeholders. It is administered by an independent, external operator and its data is stored on protected servers located in Germany. The contents of the reports are processed exclusively through Sto. Related information can be found on the reporting system landing page on our website at www.sto.de by selecting 'Unternehmen/Über uns – Compliance' (Company/About us – Compliance).

Since the end of 2019, a general works council agreement covering compliance has been in place between the Management

Boards of Sto SE & Co. KGaA and StoCretec GmbH, on the one hand, and the General Works Councils of Sto SE & Co. KGaA and StoCretec GmbH, on the other. In this agreement, the management of each company and the General Works Council have laid down basic principles and aims to ensure responsible and legally correct conduct on the part of our employees. In particular, it is intended to create a reliable framework for dealing with business partners, employees, customers, suppliers, competitors, and other external parties with a view to preventing statutory violations and cases of corruption. A set of guidelines and the reporting system of the Sto Group's Compliance Management department are available for reporting compliance-related incidents.

Part C

Assumption of responsibility through voluntary commitment

Social commitment, and donations

Sto attaches great importance to voluntary initiatives and measures that serve the good of society. They form part of our basic understanding of Corporate Social Responsibility and have a long tradition in the company. In 2020, again many activities took place. We will report on a few of them.

The Bright Hill Pre-School in Windhoek/Namibia is one of the international projects that Sto has supported for many years. With our financial support, training as well as construction measures have been successfully implemented in the past. Around 120 children are cared for in the pre-school in the mornings and learn English in particular in order to be able to attend a state school later. The institute also assists old people and those who need

help who live in the slums of Windhoek. The current grants are used primarily for extension buildings in order to improve the working conditions for teachers and to increase the burglar resistance of the facility.

Since 2017, we have been in a special socio-ecological commitment with the non-profit integration company AfB GmbH, which specialises in reprocessing discarded IT hardware and returning it into the use cycle. In 2020, 300 of Sto's decommissioned IT and mobile devices – mainly PCs, notebooks, and flat screens – were handed over to AfB, thereby making a contribution to environmental protection and inclusion. 297 (99 %) of these devices were suitable for remarketing. Just three had to be dismantled and recycled because they were defective. The total weight of the materials amounted to 1.3 t. As a result, the process of remarketing the devices managed to save the equivalent of 29,847 kg of iron, 39,085 kg of CO₂ equivalent, as well as

155,563 kWh of primary energy and 262,894 l of water. In addition, a job for a person with a disability was secured, as AfB (Work for People with a Disability) is an inclusion company.

The non-profit IT company was singled out for special recognition on 4 December 2020, winning the 'Society + Justice' category of the German Sustainability Award 2021 for 'its exemplary combination of environmental protection, social responsibility, and development and maintenance of long-term partnerships'.

Another way in which we fulfilled our social responsibility as a company in 2020 was by donating a total of 5,000 FFP2 face masks. The high-quality masks were divided equally between a total of five municipalities in Germany (i.e. 1,000 masks each), where they helped protect people against coronavirus infections in medical and social settings, such as children's facilities or the volunteer fire service.



Sto donated 5,000 FFP2 face masks to five municipalities in Germany. Pictured: Andreas Rauer, Head of Production in Tollwitz/Germany, handing over the masks to Christoph Schulze, Mayor of Bad Dürrenberg/Germany.

'Off Road Kids' is a foundation that helps young homeless people in Germany. Particularly in times of crisis, there is an increase in the number of young people who are forced – often because of domestic violence – to flee their homes and are then unable to find refuge. With its professional social workers and shelters in major cities, the foundation is the only support organisation in Germany that is specifically geared towards these young people. In 2020, Sto supported the charitable

organisation by making a base donation of EUR 10,000. In addition, the company encouraged its employees to make their own private donations.

'Baden-Württemberg blüht auf' (which roughly translates as 'Get Baden-Württemberg blooming and blossoming') is the motto of a campaign (bwbluehtauf.de) aimed at encouraging biodiversity that was launched by the Federal State Farmers' Association of Baden-Württemberg in conjunction with its district branches. Sto is participating in this initiative as a sponsor: with our support, a farmer in the Stühlingen region has planted a wildflower patch covering a total of 7,000 square metres. This provides a vital habitat for bees and other insects, and encourages biodiversity.



'Baden-Württemberg blüht auf' (= Get Baden-Württemberg blooming and blossoming): Sto is sponsoring a wildflower meadow adjacent to the factory grounds.

The annual trainee project took place at the Sto location in Stühlingen in 2020. The 60 trainees carried out an ecological project benefitting the employees and took over the renovation of the pond on the factory premises. Among other things, an educational barefoot path was completed where Sto products can be experienced in a completely different way. In addition, the grounds adjacent to the spon-

sored wildflower patch are to be redesigned in 2021 by incorporating insect-friendly plants and native trees.



As part of the 2020 trainee project, the Sto trainees and its students from the Cooperative State University also redesigned the area around the barefoot path on the factory grounds.

Other Sto companies also place great emphasis on social commitment and embrace it in many different ways. Every year, numerous smaller fundraising events take place to support non-profit associations, social institutions, people in need, or environmental protection.

In Austria, for example, the helping-hands@sto team launched an initiative three years ago to support individuals, families or institutions in emergency situations and provide financial assistance.



The Sto Foundation – promoting education, safeguarding the future

For evidence of the extent to which greater solidarity and inventiveness can be engendered by a crisis, you need look no further than the work that was successfully undertaken by the Sto Foundation under the pandemic conditions of 2020. The managers

of the foundation had to rethink all manner of things because many of the usual formats for face-to-face events and meetings were simply not feasible.



The new Council of the charitable Sto Foundation (from left to top right): Jochen Stotmeister (67), Chairperson of the Supervisory Board of STO Management SE and Deputy Chairperson of the Sto Foundation, Till Stahlbusch (65), Treasurer and new Chairperson, Prof Ralf Pasel (50), Professor for Architectural Design and Construction at the Technical University of Berlin and the new member of the Foundation Council for Architecture, Gregor Botzet (53), teacher at the Ferdinand-Braun vocational school and the new member of the Foundation Council for the Trades, Carlo Stotmeister (33), new member of the Executive Board, and Anne Bambauer (33), new member of the Foundation Council for Communications.

Architecture and interior design students were particularly badly affected because their courses could not or could barely take place for months on end, and because large numbers of student jobs simply vanished. For this reason, students were primarily provided with financial support directly in the form of scholarships. Within this context, the Sto Foundation is able to draw on a network of renowned partners with whom joint programmes can be undertaken. These also include scholarships offered in conjunction with the Arch+ and AIT

professional journals.

Thanks to the creativity of students and lecturers at the universities, it became increasingly possible to deliver teaching via digital formats as the year progressed. In London and Venice, lectures by architects were also able to take place via streaming as part of the 'November Series'.

In 2020, the Sto Foundation provided a total of EUR 900,000 in funding to support almost 60 (inter)national trade and architecture projects. Even though some projects are having to be postponed during the coronavirus crisis, the level of demand for support is as high as ever throughout the whole of Europe. This applies, in particular, to self-build projects undertaken by students at summer schools. In 2020, almost 12,000 visitors were able to witness the talent and diversity of these students by attending the 'DesignBuild – Experience in Action' exhibition in Munich.



In autumn 2020, the Architecture Museum of the Technical University of Munich (TUM) hosted a 'DesignBuild' exhibition at its Modern Gallery in Munich/Germany. Here, various self-build projects by students were exhibited under the title 'Experience in Action'. Several exhibits showcased Summerschool projects sponsored by the non-profit Sto Foundation. The plan is to take the exhibition to Berlin/Germany in 2021.



A group of trainees and experienced experts spent four intensive days at the Sto Foundation's first ever 'Denkmalcamp' in Fulda/Germany. The programme included lessons on historic painting techniques, as well as sightseeing trips and tours.

The multi-level 'educational pyramid' is the Sto Foundation's training model for young tradespeople starting out in the painting and plastering trades. At the basic training level, the Sto Foundation supports talented, hard-working, and deserving trainees by providing them with high-quality tools and technical literature. The green cases containing the tools have become something of a trademark in Germany and Austria, with more than 1,300 of them having been handed out since 2012. At training levels two and three, scholarships are made available so that students can undertake further training to become a paint and lacquer technician or study at university.

In 2020, at the first ever 'Denkmalcamp' in Fulda/Germany (a residential course for learning about the preservation of monuments and historic buildings), fourteen enthusiastic participants demonstrated just how attractive and varied a career in one of the trades can be. Instead of assisting with the restoration of a historic fortified church in Romania – which had to be postponed due to the pandemic – they were able to learn some traditional imitation techniques at the Propstei Johannisberg (a former monastery and provosty) under

the instruction of a church painter and a master conservator.

The Sto Foundation has been supporting charitable projects on a national and international level ever since its foundation back in 2005. To date, almost EUR 6.5 million have been put into more than 500 projects and invested in training the specialists of tomorrow.

This work would not have been possible on such a large scale without the financial support of the Stotmeister family, who have reached deeper into their pockets on several occasions. At the beginning of 2021, the four Stotmeister family lines once again increased their donations to the Sto Foundation in equal measure – taking the total amount to EUR 400,000 per year. Together with the annual donation of EUR 600,000 from Sto SE & Co. KGaA, this means that the Foundation team now has a yearly budget of EUR 1 million to fund its initiatives. This move serves as yet more proof of how close and dedicated the Stotmeister families feel to the industry sector and the Sto Foundation alike.

Each and every action is now undergirded by the motto 'Supporting young professionals', which was changed from 'Wissen hilft' (Knowledge helps) in 2020 in light of the new corporate design. The aim of the update was to imbue the Sto Foundation brand with a contemporary, modern, and international feel, and to make it more recognisable. Alongside conventional press relations, the focus is increasingly on communication via the social media channels of Instagram, Facebook, YouTube, and Twitter.

On 1 January 2021, the Foundation Council was reconstituted for the next five years in accordance with the set cycle. Consequently, the cooperation with Uwe Koos, Konrad Richter, and Prof. Peter Cheret came to an end. The Foundation would like to thank the outgoing members for the fantastic commitment they have shown over many years.