

SUSTAINABILITY REPORT

Space for Visions
Reporting Year 2015



burgbad



burgbad is committed to sustainable bathroom furniture (photo: burgbad).

BURGBAD AG AT A GLANCE

burgbad AG from Schmallenberg-Bad Fredeburg (South Westphalia) is a leading manufacturer of premium furniture and furnishing concepts for the bathroom.

The company was founded in 1946 – at the time, its activities focused on the production of wooden construction kits and shelves. burgbad quickly specialised in manufacturing bathroom furniture and was soon targeting the expansion of its portfolio and expertise in this direction. Since 2010, the internationally operating company has been a wholly owned subsidiary of the Turkish Eczacıbaşı Group. burgbad has production facilities in Bad Fredeburg, Greding, Lauterbach-Allmenrod (Germany) and Nogent le Roi (France) and a workforce of approx. 700 employees.

CONTENTS

burgbad AG at a glance	Introduction	2
A holistic understanding of quality	Statement by the executive board Jörg Loew, CEO burgbad AG	4
We accept the challenge	Our sustainability strategy	5
	Our sustainability management structure	7
Visions and principles	Our brand book: we have a vision	8
	Our principles	9
We share responsibility	Our raw materials	10
	Our suppliers	12
	Our production	14
	Our goal: eco-efficiency	16
We create values that last	Our innovation and product management	22
	Our employees	24
	Our customers	28
Looking ahead	Our goals	29
	Our social commitment	32

STATEMENT BY THE EXECUTIVE BOARD

A HOLISTIC UNDERSTANDING OF QUALITY

Dear Reader,

For more than 50 years, burgbad AG has stood for superb bathroom furniture solutions that set international standards with their exceptional quality and innovative design. We use our ideas to create space for visions. We are proud of what we have achieved – and very much aware that, as a woodworking enterprise and responsible employer, this commercial success is closely linked with the need for sustainability.

A survey of our stakeholders in 2015 revealed that two-thirds of respondents have no conception of burgbad's sustainability activities. That makes it all the more important for us to present our endeavours in this sustainability report.

We would also like to outline the actions we are taking to help turn the climate change agreements reached in Paris into reality – and how we are actively helping to advance the ambitious goal of reducing greenhouse gas emissions.

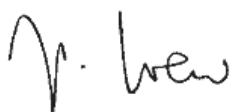
But that's not all: last year, in keeping with the endeavours of our parent company – the Turkish Eczacıbaşı Holding – we joined the United Nations Global Compact (UNGC). We are explicitly committed to implementing the UNGC's ten principles in the areas of human rights, labour, the environment and anti-corruption and promoting them to the best of our ability in future. We take these principles into account both in our day-to-day business and in the strategic considerations of our company.

We want to communicate our key issues and activities transparently – to our customers, our suppliers, our employees and society in general. The annual publication of our progress (COP) helps us achieve this aim as well.

The Sustainability Code is another important tool for burgbad when it comes to reporting and working on relevant sustainability issues. In 2015, we satisfied the requirements and published a Declaration of Conformity with the Sustainability Code for the first time. The themes it covers provide the basis for our first sustainability report.

I would like to take this opportunity to thank all our employees, partners and customers for their contribution towards ensuring a sustainable future for our company. We will continue to extend and develop these activities in the years to come – and I would be delighted if you join us on our journey.

Yours sincerely,



Jörg Loew
CEO burgbad AG



Status as of 31.12.2015

WE ACCEPT THE CHALLENGE

OUR SUSTAINABILITY STRATEGY

As a woodworking company for bathroom furniture solutions, burgbad is very much aware of its responsibility for the environment. Sustainability plays a key role – not only in relation to raw materials, but in connection with production, treatment of the workforce and product development as well. In a series of workshops, we defined the **key challenges** facing our company with regard to sustainability, factoring current global challenges into our considerations as well. These key challenges were then used as a basis for identifying key **action areas**; the results of the stakeholder survey in relation to key aspects were likewise taken into account.

1. Environmental pollution

Climate change is a global challenge – and one that burgbad wants to counter with active measures. As early as 2011, Eczacıbaşı Holding signed the 2°C Challenge Communiqué, thus demonstrating its clear commitment to reducing CO₂ emissions.

Action area: achieve climate-neutral production (as per Scope 1 and 2) by reducing and offsetting emissions

2. Resource conservation

We want to be economical in our use of the resources necessary to our business – particularly those available in finite quantities. Wherever possible, we want to avoid or reduce our use of critical input materials and energies, or replace them with meaningful alternatives.

Action area: increase eco-efficiency with the goal of increasing productivity while simultaneously reducing costs and ecological impacts

3. Demographic change

An aging society poses new challenges. We want to retain the valuable experience and expertise of our older employees – while simultaneously attracting the best youngsters to our company. Where our customers are concerned, we want to create solutions that permit and facilitate independent living in old age.

Action area: embed the promotion of young talent in corporate culture – encourage/enable age-appropriate work – develop age-appropriate products

4. Health

As an industrial company, work-related accidents and illness never cease to be an issue of the utmost importance for us – as is our employees' need to balance family and working life. With regard to our customers, we want to sell products that not only pose no risk to health but, ideally, deliver health-promoting benefits as well.

Action area: guarantee product safety – promote employee health

5. Economic globalisation

Economic globalisation poses two challenges: the impact on the supply chain due to increasingly interconnected buying markets – and, at the same time, the need to strengthen our sales markets in the face of growing global competition.

Action area: strive for sustainable supply chains – guarantee sustainable quality, service and innovation

Key Challenges

Environmental
pollution

Resource
conservation

Demographic
change

Health

Economic
globalisation

Key action areas

Climate-neutral
production

Eco-efficiency
– Increased
productivity
– Cost reduction
– Reduction of
ecological impact

Promotion of
young talent
Age-appropriate
work
Age-appropriate
products

Product safety
Promote employee
health

Sustainable
supply chain
Sustainable
quality, service
and innovation

A champion for our customers: we aim to achieve customer satisfaction through excellence.

Summary of the key challenges and action areas

At burgbad, we attach great importance to engaging in active dialogue with our **stakeholders**. It is the only way to ensure the successful development of our premium, individual products, identify new trends and stay informed about the current business situation.

In order to identify which stakeholders are relevant for burgbad, the sustainability team conducted a stakeholder relevance analysis. To begin with, 28 internal and external stakeholders were identified and their significance for, influence on and interest in the company evaluated – and vice versa. In the next step, the analysis focused on the stakeholder groups customers, parent company, suppliers and employees, as well as on

“interested parties” – a group consisting of architects, potential employees and customers and the general public.

The results of the stakeholder surveys on key aspects conducted in 2015 also yielded some interesting insights.

The following points emerged as highly important to our stakeholders: service, compliance with standards in the delivery chain and resource conservation/eco-efficiency.

WE ACCEPT THE CHALLENGE

OUR SUSTAINABILITY MANAGEMENT STRUCTURE

burgbad AG is a subsidiary of the Turkish Eczacıbaşı Holding and is embedded in the Eczacıbaşı Building Products Division. The executive board of burgbad AG reports to the division's Executive Vice President, whereby the long-term objectives and business strategy for the group are developed in the holding. The group's Innovation and Sustainability Coordinator, who reports directly to the CEO of the holding, is responsible for the group's sustainability management. The sustainability strategy team is supported in the pursuit of its strategic goals by seven sustainability working groups, each of which focuses on a different area.

In early 2014, the new local position Head of Sustainability Management/Innovation Management was created for burgbad in order to support the executive board with the ongoing development of burgbad's sustainability strategy. This position reports directly to the executive board on a regular basis, consolidates, proposes projects and suggests appropriate actions. As the interface with the parent company, it represents burgbad in the above-mentioned working groups as well. It also serves as the interface with the internal, operational level of the company.

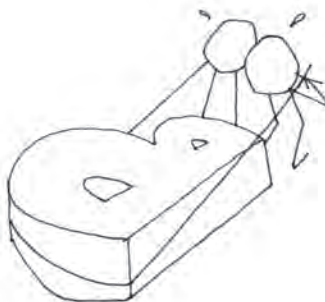
In addition, a **sustainability team** was established in 2015, consisting of 12 representatives from the various departments. All areas of the company are thus involved, ensuring close cooperation with the respective departments across all locations. burgbad has a comprehensive **eco-controlling system** that is not only

used as a basis for defining objectives, projects and actions but also permits an input-output analysis of the company. It was established parallel to other controlling systems as part of the blue life strategy of the parent company's Building Products Division. The blue life strategy allows our company to accurately measure, report and improve its sustainability performance. In order to advance the major goal of eco-efficiency in the long term, sustainability management monitors the internal figures reported by the eco-controlling system. In regular meetings, the sustainability team analyses the progress made towards the objectives and develops potential new goals and actions, which are then approved in management meetings with the executive board. The divisional heads of buying, production, finance, sales, HR, R&D and marketing are responsible for the implementation of the approved actions at operational level.

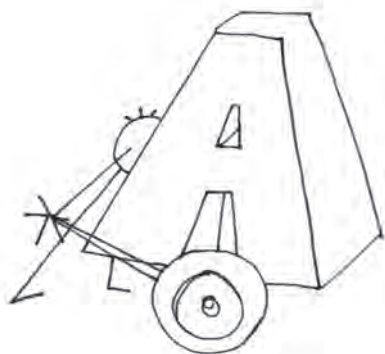
VISIONS AND PRINCIPLES

OUR BRAND BOOK: WE HAVE A VISION

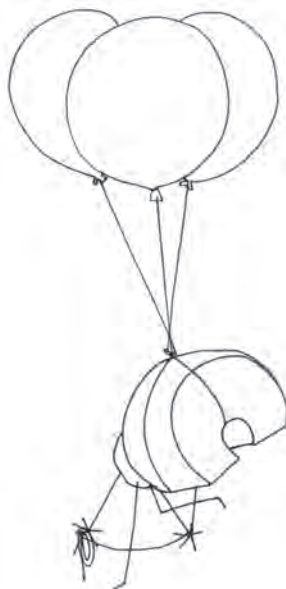
Our management has developed an expressive brand book to illustrate the philosophy and vision of our company:



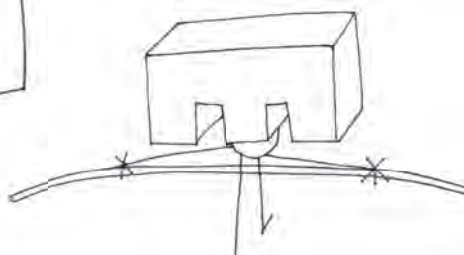
We are special because we question what's behind our success. And know we can always be even **better**. We want to sense our customers' needs even before they can put them into words.



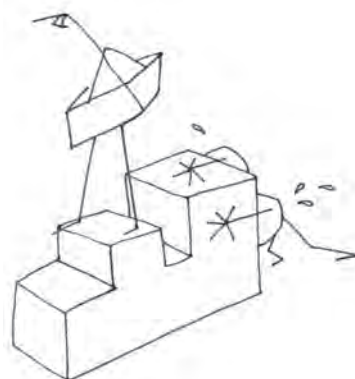
Showing our **appreciation** of our employees, customers and partners is our greatest pleasure. The way we treat one another makes a difference – and makes us different too.



We take a **clever** approach to ideas and quality so as to create meaning; we have the courage to think new thoughts. Creating good and beautiful things is our passion.



We follow this passion up with the **discipline** necessary to achieve **excellence** – by always giving +1. We are a triple-A company.



That makes us **fascinating**. Inside and out.

VISIONS AND PRINCIPLES

OUR PRINCIPLES

In order to make our action areas even more tangible, our sustainability team has developed six sustainability principles that tie in with our vision:

A champion for our customers:

We aim to achieve customer satisfaction through excellence.

Fair:

We are fair to each other, our customers and our partners.

Careful:

We do our work vigilantly, taking all the relevant issues into account.

Durable:

Everything we do focuses on durability and quality.

Aware:

We are aware of our responsibility for all aspects of sustainability.

Efficient:

We work efficiently and save energy.



WE SHARE RESPONSIBILITY

OUR RAW MATERIALS

As a manufacturer of premium bathroom furnishings, we process large amounts of wood products and natural products like sands, which we use as a filler for our washbasins. As a result, we believe we have a special responsibility and strive to live up to it in our day-to-day work.

About half of our raw and other materials are wood-based, followed by fillers, mirrors and glass and, finally, ceramic washbasins.

Wood

All the wood we use is sourced from sustainably managed forests. Our facilities are certified in line with the PEFC standard. We thus ensure that 85% of the wood-based products (in m³) currently purchased for use at our German factories are PEFC-certified (80% at our French factory).

Fillers

We buy large amounts of natural sands for the production of our washbasins. All the suppliers and quarry areas are located in Germany and do not represent any acute risk with regard to sustainability aspects.

Mirrors and glass

In 2015, we sourced over 95% of our mirrors from within Europe. We do not currently see any risk here as regards non-compliance with standards. We buy almost 50% of the glass we use (by volume) via an import service provider from Asia. This company is responsible for complying with the burgbad Code of Conduct, which it has signed.

Ceramic washbasins

In 2015, over 90% of our ceramic washbasins were produced by our parent company in Turkey, thus allowing us to be certain that sustainability requirements have been observed in accordance with our group-wide rules.

Miscellaneous

Technical fittings, drawers, resins and sundries.

Breakdown of raw materials by weight

1. Wood-based materials

Wood sourced from sustainably managed forests.

4. Ceramic washbasins

Over 90% produced by parent company in Turkey.

2. Fillers

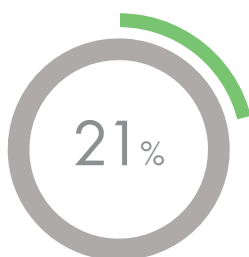
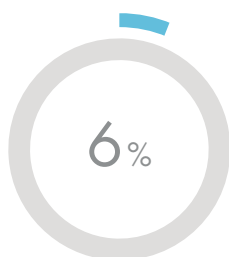
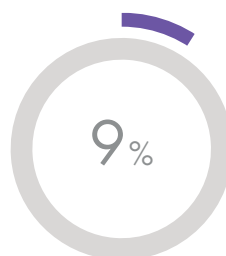
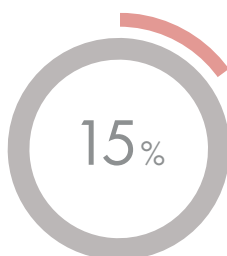
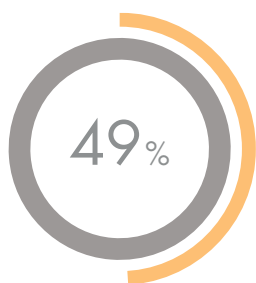
Natural sands from Germany.

5. Miscellaneous

Incl. technical fittings, drawers, resins and sundries.

3. Mirrors/glass

95% of mirrors from Europe.
50% of glass from Asia.



Note: % by weight

WE SHARE RESPONSIBILITY

OUR SUPPLIERS

We have collaborated with most of the suppliers we source our materials from on an equal footing for many years. Many suppliers are also important development partners with whom we are constantly exploring possibilities for using new, sustainable materials. In the second half of 2015, we conducted a survey with selected suppliers in order to identify the key sustainability issues we have in common.

83.2% of the suppliers who deliver to all four of our production sites come from Germany, while European suppliers account for an overall share of 98.8%. We do not currently have any direct suppliers in high-risk countries. Without exception, all import service providers who source from such countries have signed our **Code of Conduct** and ensure compliance with the agreed guidelines by visiting their suppliers in the field.

The Code of Conduct for our suppliers was developed in 2014. It defines the criteria that are important to us in relation to respecting human rights, humane working conditions and environmental protection and covers issues such as equal opportunity and equal treatment of all employees, the prohibition of child and forced labour, and the prohibition of corruption and bribery. burghard is explicitly committed to the core labour standards of the International Labour Organization (ILO). The suppliers are requested to place any sub-suppliers they may collaborate with under an obligation to comply with this

Code of Conduct. Our goal is for all new suppliers to sign both the Code of Conduct and our supply agreement, compliance with which is a prerequisite for any relationship between us and a supplier.

In 2016 we will develop a policy questionnaire specifically aimed at potential suppliers, which will also cover key sustainability aspects.

One of our medium-term goals regarding a sustainable supply chain is to ensure that suppliers are complying with our guidelines by conducting random visits in the field. Another objective is to systematically address sustainability issues in our annual meetings with suppliers.



WE SHARE RESPONSIBILITY

OUR PRODUCTION

Our three sites in Bad Fredeburg, Greding and Nogent le Roi (France) produce bathroom furniture, while the Lauterbach facility makes mineral cast washbasins. The just-in-time assembly of these elements for delivery to customers takes place on pallets at the respective bathroom furniture factories. A complex, internally developed planning tool calculates the upstream production processes on the basis of the completion deadline.

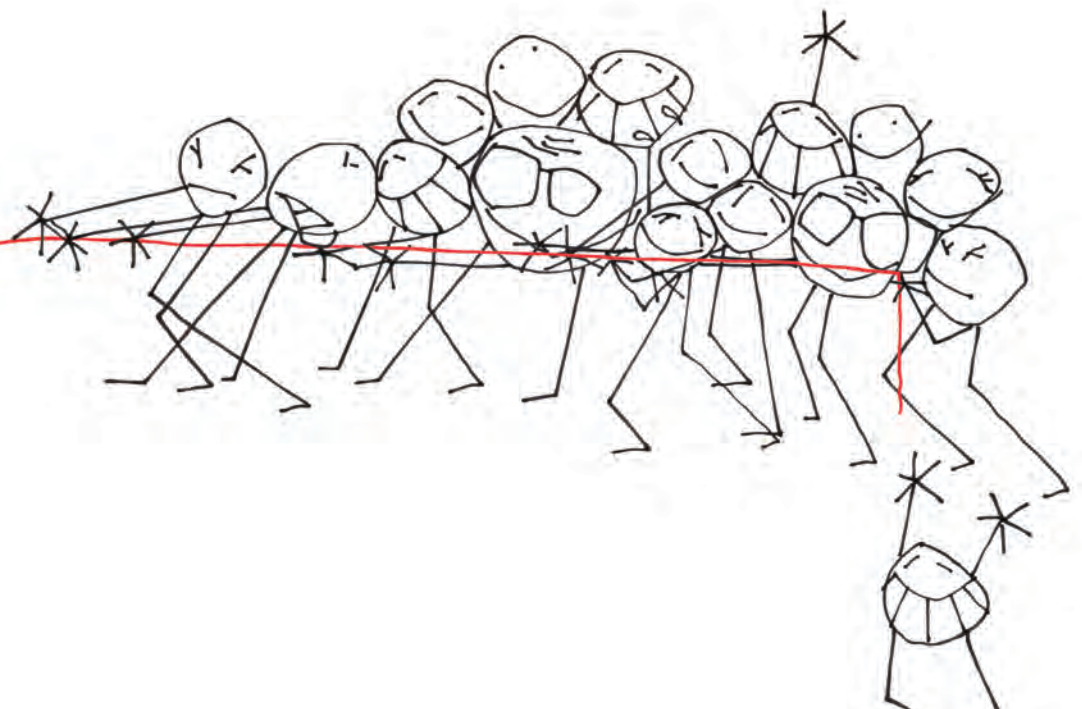
burgbad produces to order. Due to the extremely wide range of product variants, this calls for a high degree of personal responsibility and flexibility on the part of our workforce. On the other hand, our make-to-order manufacturing process means we can dispense with a finished components warehouse.

Our bathroom furniture production process uses fully automatic cutting technology, which reduces the likelihood of errors at this stage virtually to zero. Using laser edging technology for our melamine fronts is just as much part of our quality standard as producing our curved fronts, painted products and thermoformed fronts ourselves.

frequency-controlled compressors and installed modern exhaust ventilation systems with lower energy consumption. In addition, our Lauterbach site is ISO 9001-2008 certified. The mineral cast washbasins are made of sand and polyester resins using a casting process. Because the material cures quickly at room temperature, it does not require a high energy input. The resulting emissions are immediately neutralised in an exhaust air treatment unit. And we already switched to a biodegradable solvent for cleaning the machinery years ago.

But our efforts to ensure a responsible use of materials are not restricted to wood and paper products; we take the same approach to paints as well. The painting systems used at our production site in France, for instance, were switched entirely to water-based materials back in 2014. Since then, solvent emissions during processing at our site have been avoided completely. In 2016, we are investing in an exhaust air treatment unit for our Bad Fredeburg factory in order to neutralise the emissions arising from the paint shop.

We did away with the shrink tunnels at our German factories years ago, replacing them with much less energy-intensive packaging machinery. The cardboard packaging is cut to fit the corresponding furniture part perfectly. This saves having to keep various box sizes in stock and avoids hollow spaces when the furniture is packed ready for delivery. In 2015, this packaging concept was also installed at our French factory. We have also switched to



WE SHARE RESPONSIBILITY

OUR GOAL: ECO-EFFICIENCY

Our fundamental aim is to be aware and efficient in our handling of resources. At the same time, we try to keep energy utilisation as low as possible in order to prevent environmental damage in general.

In our **eco-controlling system**, all data relating to material and energy consumption, waste volumes etc. is monitored and optimised continuously. The reference value for our performance indicator system is defined as the weight of the packaged, produced units or, in the case of employee performance indicators, the employees (head-count). The reference values per site are entered in the eco-controlling database on a quarterly basis, as are material input, energy consumption, waste streams and occupational health and safety data. The **most important KPIs** for us are:

- Energy consumption (kWh)/weights produced (t) – per type of energy
- Total energy consumption (kWh)/t. This permits calculation of kg CO₂/t of production.
- Total amount of waste (kg)/weights produced (t)
- Share of recyclable waste (%)
- Material input (t)/weights produced (t), whereby in this case material relates to the total amount of main raw materials and packaging materials
- Ratio of recycled materials used (%)
- Occupational health and safety: LTIR (= sum of work-related accidents*200,000/hours worked) and the number of commuting accidents

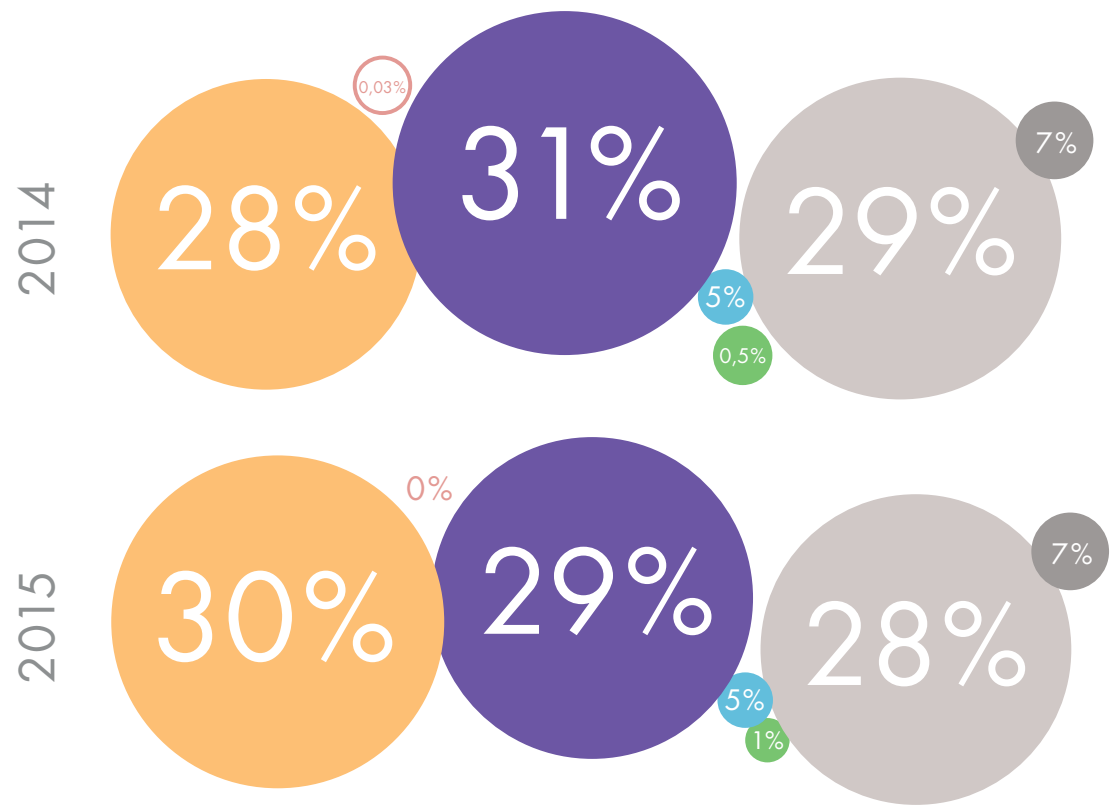
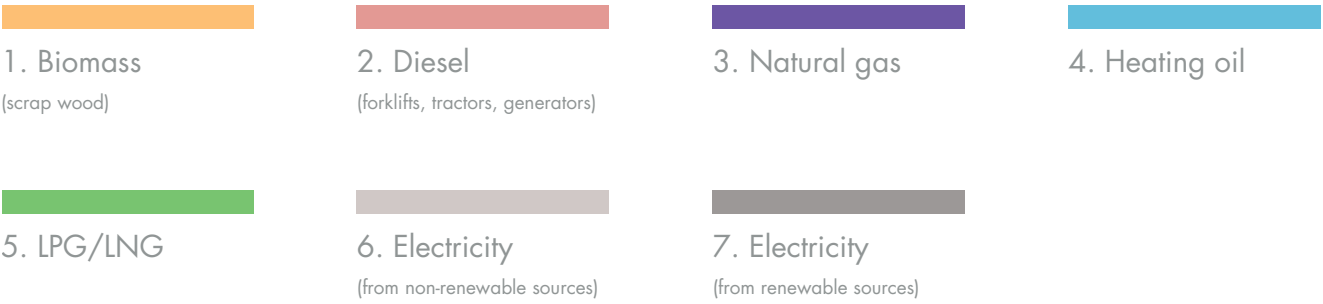
We report these KPIs to our parent company on a quarterly basis. In future we would like to make even more intensive use of the eco-controlling system as an evaluation tool so as to further improve our performance with the help of the resulting data. The group-wide value improvement programme DIP also plays a part in helping our departments develop and implement efficiency-enhancing projects. Data on the progress made is collected and reported to the parent company at regular intervals. In addition, our ISO 9001:2008 and PEFC certifications outline further specifications for complying with the relevant standards.

Energy is a crucial natural resource for our business operations. In 2014 and 2015, the following energy sources were used at our four production sites, including administration:

- Biomass
- Diesel
- Natural gas
- Heating oil
- LPG/LNG
- Electricity

The high share (34.8%) of renewable energies already achieved in 2014 mainly results from the use of accumulated wood waste. This biomass is used as an energy source for our factories in Bad Fredeburg and Grafenberg – enabling us to save fossil fuels and prevent CO₂ emissions. In 2015, we were able to increase the share of biomass by 2 percentage points. In 2015, total fuel consumption amounted to 44,568,342 MJ from non-renewable sources and 26,198,172 MJ from renewable sources.

Utilisation of natural resources



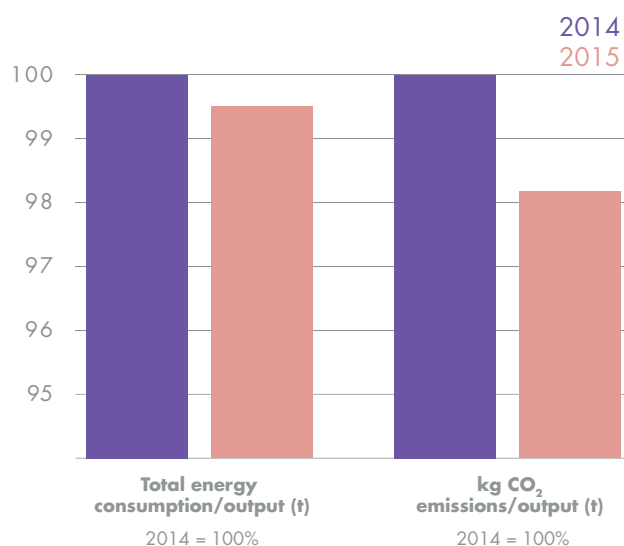
Thanks to systematic analysis of the eco-controlling data and cross-site meetings of the relevant departments, we are able to ensure that we take all actions necessary to increase our eco-efficiency. This also ensures that potential synergies are taken advantage of. One of our goals for 2016 is to convert virtually our entire electricity procurement for Germany to renewable energies. So as to be able to identify energy saving potentials, we will be installing an energy monitoring system in all our factories by the end of 2016. It will be analysed centrally by our energy management team. Wherever possible, the resulting values will be used to derive efficiency-enhancing measures for the factories.

By implementing these actions and increasing the share of renewable energies, we aim to reduce CO₂ emissions for all four sites by 15% as compared to 2014 levels by the end of 2017.

In 2015, absolute energy consumption increased slightly due to order volumes. Our performance indicator "energy consumption/weight produced" dropped slightly, decreasing by 0.4%. There was also a slight production-related increase in overall CO₂ emissions. Specific CO₂ emissions dropped by 1.8%.

burgbad also monitors the input of main raw materials and packaging materials via the eco-controlling system. In 2015, total consumption amounted to 12,350 tonnes of main raw materials and 2,288 tonnes of packaging materials. Mainly due to the use of recycled packaging components, recycled materials purchased from third parties accounted for a share of 12.7% in 2015.

Energy consumption and CO₂ emissions

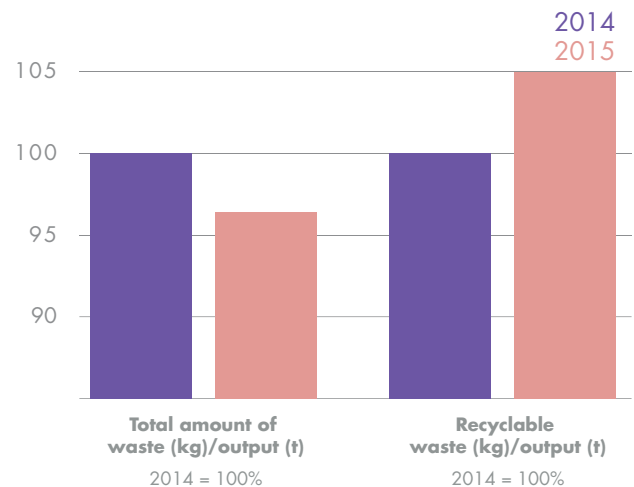


Our goal for all sites is to reduce **waste** and, as a result, material input/tonne of production – as well as to reclaim or recycle any waste that does occur wherever possible.

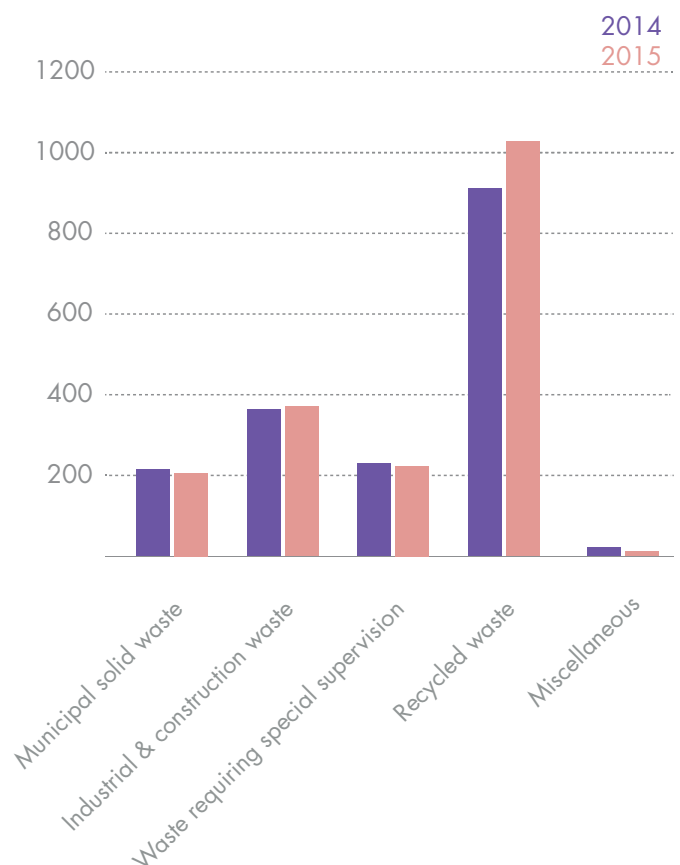
As a result, the share of recyclable waste was increased by 7.4 percentage points in 2015 as compared to 2014. In 2015, the share of recyclable waste was already over 50 %, subdivided into paper/cardboard, plastic, wood, glass and metal, with pallets accounting for the majority of the wood waste. Thanks to our cooperation with the recycling programme operated by the Interseroh company, we are also able to ensure that any product packaging that is brought into circulation re-enters the recycling loop.



Waste



Composition of waste (in tonnes)



In 2015, total water consumption was just 6,830m³. Due to this small volume, we do not see any key action areas for our company in this respect.

Our just-in-time production strategy, which involves conducting separate processes at different sites without intermediate storage, calls for more complex logistics between the company's various locations, for which we use external service providers. We also deliver our products to our customers via independent haulage contractors. In 2015, our French site switched to cross-docking for deliveries to one major customer. This reduces both the number of process steps and warehousing costs.

In 2015, we also determined the fuel consumption of our fleet. On the basis of this analysis, we are endeavouring to reduce the carbon footprint of our fleet by making more intensive use of video conferences. In the second phase (to be conducted in 2016), we aim to determine the carbon footprint of our air travel so as to assess its relevance and take any action that may be necessary.

Shipping is another area in which we are contributing to climate protection: since early 2016, burgbad has been using the climate-friendly GoGreen service provided by Deutsche Post and DHL, which calculates the transport-related CO₂ emissions and offsets them through verified climate protection projects.

burgbad's Greding site participated in the "LCA data for wood-based furniture" project organised by the VDM (Association of the German Furniture Industry) in cooperation with the Thünen Institute of Wood Research. The aim was to help the furniture industry identify a sound approach for establishing a product's cradle-to-gate carbon footprint. The project results equip furniture manufacturers with a procedure for dealing with this increasingly important issue on the basis of a uniform concept.

As a further step towards its goals, burgbad is planning to participate in the climate pact of the DGM (German Quality Assurance Association for Furniture) in 2016. The DGM founded the Climate Pact for the Furniture Industry in response to the results of the 21st UN Climate Change Conference in Paris. The pact is based on a company's carbon footprint: every year, participating furniture manufacturers calculate their footprint on the basis of the applicable standards.

Breakdown of recyclable materials 2015



1. Glass



2. Wood-based materials



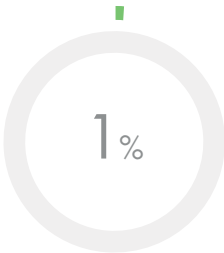
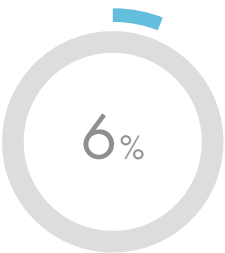
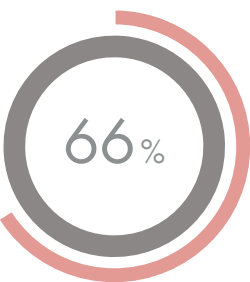
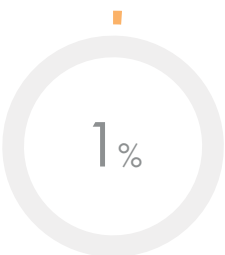
3. Cardboard packaging



4. Plastic



5. Metal



Note: % by weight

WE CREATE VALUES THAT LAST

OUR INNOVATION AND PRODUCT MANAGEMENT

Our passion and aspiration is to develop more than just a product. We want to convey a modern outlook on life to users – our customers – that enables them to feel healthy, hygienic and safe. Innovation and sustainability are two areas that are closely linked with this aim.

We know that sustainability objectives cannot be achieved without innovations – just as sustainability aspects are playing an increasingly important role in the development of successful innovations. Our goal: to create added values – not just for our customers, but for the environment too. That is why we have created a position in our company that combines the responsibilities of “head of sustainability management” and “head of innovation management” in one and the same person.

In order to stay in tune with the times, the burgbad management regularly works with **future scenarios** that focus on developments in materials, production technology and architecture – and correlates them with changes in global society. Our product development strategy responds to the challenge of demographic change by endeavouring to develop innovations with added health benefits.

It is also important for the company's development not only to conduct R&D projects in its own laboratory, but to cooperate with external research facilities and the parent company's innovation centre when necessary. Our goal is to maintain our position as design and innovation leaders. burgbad holds three patents, five registered designs and five utility models to protect the products it has developed.

New ideas are welcome and find a friendly ear – as demonstrated by our **consistent innovation management**. Ideas are generated on a regular basis by both internal workshops and communication with other stakeholders, culminating in a systematic decision-making process conducted by a multidisciplinary team. Here too, right from the very first idea evaluation process, avoiding potential environmental risks is a top priority.



WE CREATE VALUES THAT LAST

OUR EMPLOYEES

Around 700 employees currently work at our four sites (as of 2015). And we are very proud that 22 % of our 2015 workforce has been with our company for more than 25 years. However, we have also identified demographic change as one of the key challenges facing our company. An analysis of our workforce's age structure shows that there is currently a shift towards older employees. We want to retain and use their valuable knowledge – while simultaneously holding our ground in the face of growing competition for the best skilled workers. They are crucial to our make-to-order production strategy: due to the extremely wide range of product variants we manufacture, we expect our employees not just to be highly qualified but to exhibit a high degree of personal responsibility and flexibility as well.

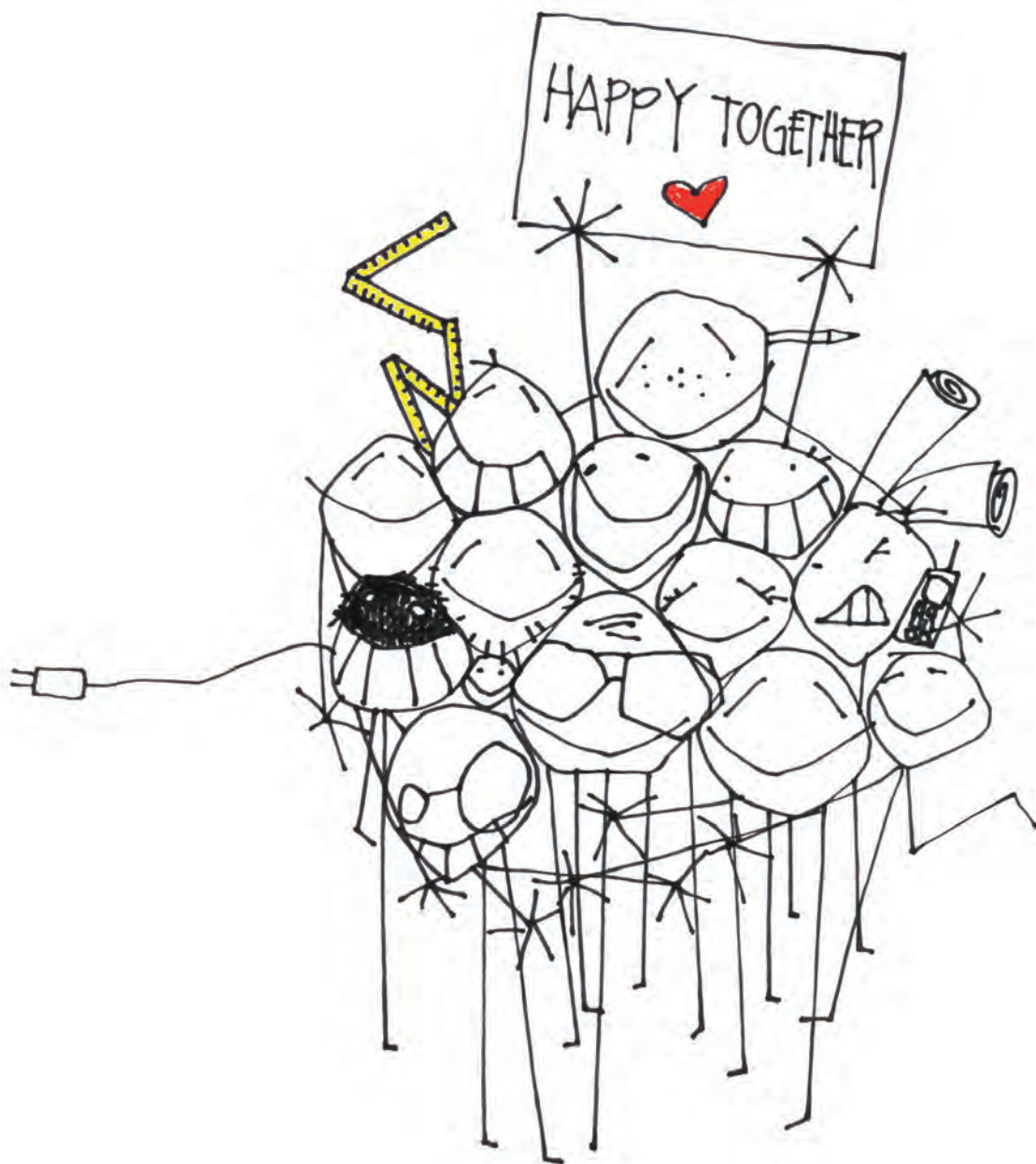
With an eye to the future, we would like to increase the share of employees under the age of 30. First and foremost, we see our apprenticeship programme as a huge opportunity in this respect – and aim to maintain or expand it in future. We also plan to improve the structure of our **further training** options and broaden the scope of the opportunities available. These training measures are conducted by the relevant department depending on employees' requirements. Up until now, we have not compiled central data on the number of hours dedicated to training and further training.

In order to enable older people in our company to maintain their **health**, interested employees can for instance take part in bicycle days or other health-promoting activities, many of which are organised by health insurance companies.

In addition, our Greding site holds yoga classes for interested members of staff.

Equal opportunity is important to us. With disabled employees accounting for 7 % of its workforce, our Bad Fredeburg site is setting a fine example for our other locations. The certification of our Bad Fredeburg facility as a "family-friendly company" by the Hochsauerland district in 2015 is also evidence of our years of commitment to creating a family-aware corporate culture and a good working atmosphere, as well as the good working conditions that are essential for a healthy and contented workforce. Enabling our staff to balance family and work is a matter of great importance to us.





In 2015, our overall share of female employees was 28.4%. Women accounted for 42.4% of salaried employees, 13.4% of management staff and 42% of new recruits.

Last but not least, we see our participation in the annual Girls and Boys Days as a way to help generate greater interest in technical professions among women and thus positively influence our share of female employees.

Since all our sites are located in quite rural regions, we attach great importance to the development and integration of qualified young people within our company. Besides running an **apprenticeship programme** that has won awards from the Chamber of Industry and Commerce, we also take promising youngsters on for at least six months after successful completion of their apprenticeship with the aim of ensuring our company's age structure develops positively in the long term. In 2015, apprentices accounted for 3.35% of the workforce.

Our apprenticeship programme covers the following skilled occupations:

- Wood mechanic
- Cabinetmaker
- IT specialist (specialising either in system integration or application development)
- Industrial administrator
- Technical product designer specialising in machinery and plant design
- Industrial mechanic specialising in maintenance

We are already cooperating with schools to interest as many youngsters as possible in burgbad's sound and wide-ranging apprenticeship programme in the medium term and would like to expand these activities in future.

burgbad wants to ensure good framework conditions: a healthy work environment and fair working conditions, as well as equal opportunity and equal treatment when it comes to filling positions.

burgbad works with a variable pay system that is based on performance criteria. At the current time, social or ecological goals are not given separate consideration in this context.

It is important to us to engage in a continuous exchange with our employees. Regular **employee surveys** are embedded in our parent company's HR management and cover the key issues affecting staff. In addition, our management team practises the "open door" principle. All employees can bring up any issues that are concerning them with their superior at any time.

We also care deeply about fostering a sense of community. Besides organising Christmas festivities and summer parties at all our factories, we also support various other community-building activities.

We attach great importance to open and respectful collaboration with the works council that represents employees' interests at the respective locations. Detailed arrangements are settled in regular internal agreements between the works council and management.

As part of our **occupational health and safety management**, we observe the LTIR (Lost Time Injury Rate) very closely. In 2014, the overall LTIR amounted to 5.47 across all sites, rising to 6.16 in 2015 as a result of an increase in commuting accidents – an aspect beyond burghbad's sphere of influence. In 2015, the role of occupational health and safety specialist was filled externally for all sites in Germany so as to ensure that all necessary actions can be implemented in the near term. The stated aim is for burghbad as the employer to collaborate with its company doctors and safety officers to do everything it can to lower the LTIR. The individual actions to be taken are clarified in the respective occupational health and safety committee meetings. We are pleased to report that there were no fatalities as a result of work-related accidents or illness in 2015.

As an internationally operating company, it is particularly important to us to establish anti-corruption measures.

The executive board is responsible for ensuring that conduct within the company complies with

the relevant laws and guidelines and instigates the appropriate measures: while our sales department is already receiving comprehensive training in relation to antitrust laws, we are currently working with external partners on the development of a guide to competition law and corruption prevention. burghbad categorically rejects all forms of corruption – not a single case of corruption has come to the management's attention to date.

Our goal for 2016 is to develop and introduce a general code of conduct for all burghbad employees.

WE CREATE VALUES THAT LAST

OUR CUSTOMERS

We count wholesalers, retailers and consumers among our customers.

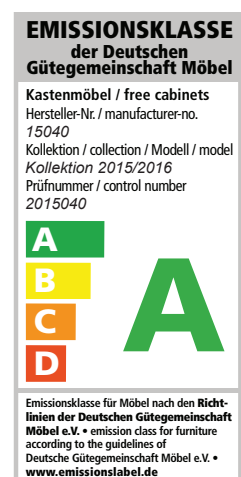
Via our sales team, we cultivate long-standing and trusting business relationships with our direct customers. In both our office and field-based activities, we attach great importance to direct, personal contact – as well as to holding numerous training events for our customers at the relevant locations. Thanks to their assignments in Germany, Austria, the Netherlands, Belgium and Luxembourg, our in-house customer service staff receive direct feedback from consumers in the field – and can pass desires, criticisms or trends on to the company.

We also conduct customer satisfaction studies. However, it isn't only customers' opinions on existing products that are important to us. As part of our innovation management strategy, we conducted "interviews" with selected customers in Germany in 2014 and in France in 2015; their answers provided us with some valuable insights, ideas and opinions regarding various cutting-edge topics.

We want to provide products that pose no risk to health. Our high quality standards ensure our products have a long service life, which is clearly in the interests of our customers. It also saves resources and energy. We guarantee for this high quality by offering a warranty period of five years, which is considerably longer than the legal requirement.

Our products carry the following quality labels:

- The Golden M, the only officially recognised label for furniture quality and safety in Germany
- The DGM Emissions label, with an Emissions Class A rating
- Goal: to obtain the "health label" for our furniture in France (assessment of emission levels in indoor air. The draft bill has not yet been passed)



LOOKING AHEAD

OUR GOALS

Our analysis of the opportunities and risks involved with the individual action areas resulted in concrete sustainability goals that we will strive constantly to achieve in the years to come.

Action area:

Achieve climate-neutral production

Our goal:

Reduce environmental pollution

- 15%-reduction in CO₂ emissions as compared to 2014 (2017)
- Offsetting of remaining CO₂ emissions as per Scope 1 and 2 to become a climate-neutral furniture manufacturer (2017)
- Conversion of electricity procurement to 100% renewable energies in Germany (2016)
- Reduction of emissions via exhaust air treatment unit in Bad Fredeburg (2016)
- Quantification of emissions generated by business travel (flights); more intensive use of video conferences
- Accession to the climate pact of the DGM (German Quality Assurance Association for Furniture) (2016)
- Use of GoGreen mail service (2016)

Action area:

Increase eco-efficiency

Our goal:

Resource conservation

- An eco-controlling system for measuring, reporting and improving our sustainability performance has already been introduced and is being used to increase eco-efficiency in the long term.
- Increase in the share of PEFC-certified wood
- Reduce waste volumes wherever possible and/or return waste to recycling loop when feasible.
- Responsible handling of resources
- Introduction of an energy monitoring system at all factories (2016)
- Reduce paper consumption and switch to buying FSC® paper (2016)

Action area:

Embed the promotion of young talent in corporate culture – encourage/enable age-appropriate work – develop age-appropriate products

Our goal:

Meet the challenges of demographic change

- burgbad trains young people for clerical and technical occupations at all its German locations and will continue to do so out of conviction.
- Encourage regular further training/continuing education of own employees
- Development of a code of conduct for all employees (2016)
- Age-appropriate product development
- Continued participation in Girls/Boys day

Action area:

Guarantee product safety – promote employee health

Our goal:

Safeguard the health of our staff and customers

- Obtain the “health label” in France (as soon as the corresponding draft bill for assessing emission levels in indoor air has been passed)
- Innovations with added health benefits
- In future too, we will continue to work with safe materials and processes.
- Lower the LTIR (accident rate) as far as possible

Action area:

Strive for sustainable supply chains – guarantee sustainable quality, service and innovation

Our goal:

Be equipped for economic globalisation

- All new suppliers are asked to sign both the code of conduct developed in 2014 and our supplier agreement.
- The sustainability will be integrated into our annual meetings with suppliers.
- Development and introduction of policy questionnaire for potential suppliers
- Spot checks of compliance with the code of conduct
- Continuing focus on added value for the customer
- Design and innovation leadership



LOOKING AHEAD

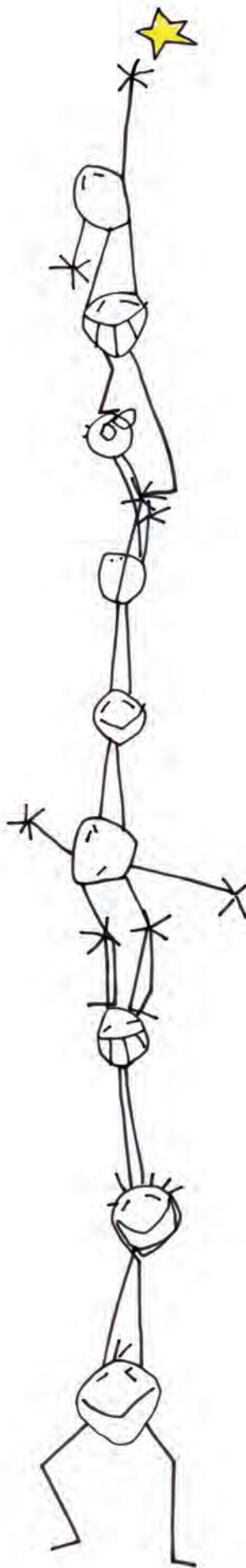
OUR SOCIAL COMMITMENT

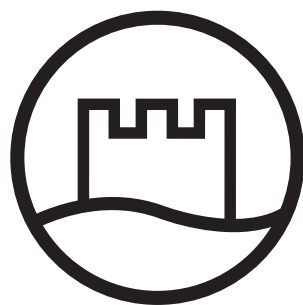
As a large regional SME employer, local and regional commitment is very important to us. That's why burgbad's various locations have been supporting a wide range of activities for many years, including the Wormbach Summer Concerts, the TV Fredeburg sports club and Greding's voluntary fire service.

In 2014, burgbad supported Aicha des Gazelles, a fundraising event for charity projects in Morocco and the toughest off-road rally for women in the world. We sponsored the participation of French drivers team Angelika Olivier and Chloée Decker in the 24th desert rally. The rally is organised by the non-profit organisation Coeur de Gazelles with the aim of raising funds for new schools, wells, orphanages and medical care for local populations, some of whom still live as nomads. Unusually, speed is not a classification criteria; instead, the goal is to be the team that travels the lowest number of kilometres. We liked the fact that the competition is based on the idea of eco-driving.

Since 2015, we have been structuring our charity activities. Each of our sites is allocated a certain amount of money for local donations. The workforce itself also collects money and donates it to local organisations. In 2014, for instance, the staff at our Greding site supported the St. Antonius children's home in Gersdorf, and in 2015 they collected several thousand euros for a seriously ill colleague.

We are committed members of the DGM (German Quality Assurance Association for Furniture), HDH (Head Association of the German Woodworking and Furniture Industries), IFS (Sanitaryware Industry Forum) and Arge-Neue-Medien (a platform for German HVAC and sanitaryware manufacturers). Our executives are represented on the boards of both Arge-Neue-Medien and HDH.





burgbad

