

COMBINED SEPARATE NON-FINANCIAL REPORT



Sustainability has many faces at GRAMMER Group. Everyone contributes to making the company more sustainable in the long term.

For us, sustainability begins with the people who work at our Company and are linked to it. It covers such aspects as research and development, procurement and production as well as the finished products and the end-of-life recycling of product components. With the expansion of our global presence and the Group's broad footprint, we are also supporting this message internationally.

This combined separate non-financial report (NFR) has been prepared in accordance with the requirements of sections 289 b to e and 315 c of the German Commercial Code (HGB). It contains the disclosures required by law on material matters pertaining to the environment, employees, social concerns, observance of human rights and anti-corruption and anti-bribery precautions. In addition, it discloses material risks in accordance with section 289c (3) No. 3 and 4 HGB where these are necessary for an understanding of the Group's business performance, results of operations and position as well as the impact on non-financial aspects. This report is the combined separate declaration for the GRAMMER Group and GRAMMER AG for 2019 in accordance with sections 289b and 315b HGB, which is made available to

the general public at the Company's website under Company > Sustainability > Separate non-financial report. Unless otherwise stated, the contents refer to the entire GRAMMER Group including GRAMMER AG. In this report, the term GRAMMER Group also includes GRAMMER AG.

The GRAMMER Group has defined solely financial parameters and financially significant performance indicators. For this reason, there are no non-financial performance indicators pursuant to section 289c (3) No. 5 HGB that are of significance for the business activities of the GRAMMER Group. Detailed information on provisions can be found in the notes to the consolidated financial statements starting on page 91. Otherwise, there is no direct link between the amounts reported in the annual financial statements of the GRAMMER Group in accordance with section 289 c (3) No. 6 HGB and the non-financial aspects. In some cases, reference is made to the content of the Group management report in accordance with section 315 b (1) sentence 3 HGB. The NFR has been reviewed by the Supervisory Board, which has satisfied itself of its legality, propriety and suitability for its intended purpose.

The combined separate non-financial report has been prepared on the basis of the Global Reporting Initiative (GRI) standards. Looking forward, reporting in accordance with this standard is to be expanded step by step.

1 SUSTAINABILITY AT GRAMMER

GRAMMER is a global group specializing in the development and production of components and systems for automotive interiors as well as driver and passenger seats for trucks, trains, buses and offroad commercial vehicles. GRAMMER is committed to sustainability and has firmly entrenched economic, ethical and ecological principles in its corporate guidelines. For us, accepting responsibility for people, society and the environment means minimizing strain on people and nature as far as possible and furthering their ability to regenerate. We seek to balance all our stakeholders' interests, further our employees' interests and strive for uniform



Combined separate non-financial report:
www.grammer.com
>Sustainability
>Separate non-financial report



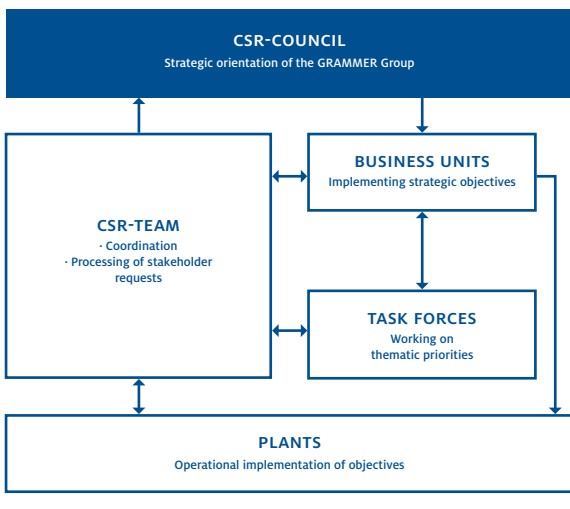
Further details of our business model can be found in the Management Report on page 60.

environmental management at all locations. In its two divisions – Commercial Vehicles and Automotive – GRAMMER is already putting sustainability into practice.

1.1 ORGANIZATIONAL STRUCTURE OF SUSTAINABILITY

Sustainability forms part of GRAMMER’s strategy as well as its operating activities. We have issued policies, installed management systems and created organizational structures to ensure the observance of our rules as a basis for coordinating sustainability aspects internationally across the entire GRAMMER Group. In view of its high importance for the GRAMMER Group’s business activities, responsibility for sustainability is assigned directly to the Executive Board. The CSR team supports it, coordinating GRAMMER’s activities in this area. A CSR council was established in 2015 to entrench sustainability even more firmly within the GRAMMER Group. This council includes executives from all relevant parts of the Group such as legal, accounting, finance, controlling, compliance, supplier management, human resources, R&D, communications, quality assurance, IT, environment and production. Institutionalized dialog and regular meetings ensure that sustainability as an overarching issue is firmly rooted in the Group and operationalized in accordance with the corporate strategy and business requirements. The individual business units represented on the CSR council are responsible for implementing the strategic CSR objectives. This involves close communications with the individual plants to operationalize the objectives.

CSR-ORGANIZATION



1.2 MATERIALITY ANALYSIS







Using a systematic multi-stage process, we have intensified the uniform Group-wide approach to sustainability matters. This was preceded by a materiality analysis in which GRAMMER identified the main aspects of relevance. As a result, this report now covers eight material matters, which are illustrated in the diagram on the following page. In addition to the matters defined as material, “social commitment” has been included as a further relevant issue in this separate combined non-financial report in order to provide information on social matters within the Company. GRAMMER considers social commitment to be a central part of its corporate strategy and systematically promotes it in its day-to-day activities. Sustainable procurement at GRAMMER is also described to provide a comprehensive overview.

A new materiality analysis will be conducted in 2020 to update these topics. To this end, three dimensions will be incorporated in the evaluation of these matters in the future. In order to involve the stakeholders even more closely in the process, an online survey will be conducted on the main aspects. In addition, the impact of the Company’s activities on the environment, society and the economy as well as the relevance of the matters for GRAMMER are included in the evaluation.














1.3 SUPPORT FOR SUSTAINABLE DEVELOPMENT GOALS

As a company operating internationally, we actively contribute to the achievement of global sustainability goals. Adopted at the beginning of 2016, the United Nations’ Sustainable Development Goals (SDGs) comprise 17 concrete objectives aimed at making the world more sustainable and fairer by 2030. In order to underline the relevance of the SDGs and to make our contribution to the individual sustainability goals visible, we have identified 13 SDGs on which we as a supplier of automotive components are able to exert influence. These are summarized in a table on the next page.

MATERIAL ASPECTS FOR THE GRAMMER GROUP

ASPECTS OF RELEVANCE FOR THE GRAMMER GROUP	MATERIAL ASPECTS	NON-FINANCIAL ASPECT
 Economic stability	1. Economic performance	Cross-cutting issue
 Corporate governance	2. Compliance	Cross-cutting issue particularly anti-corruption
 Human rights	3. Child and forced labor	Observance of human rights
 Environmental protection	4. Air/water/soil emissions	Environmental footprint
 Product and process responsibility	5. Innovative product and process solutions	Cross-cutting issue
 Employees	6. Employee satisfaction 7. Employee development (including development of young potentials) 8. Health and Safety	Employee matters

IMPACT OF MATERIAL ASPECTS ON SDGS

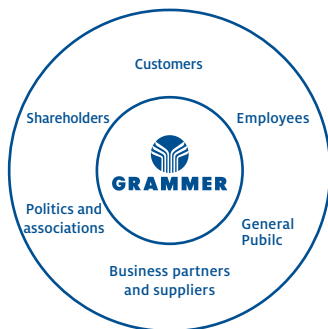
SDG-GOAL	ECONOMIC STABILITY	CORPORATE GOVERNANCE	HUMAN RIGHTS	ENVIRONMENTAL PROTECTION	PRODUCT AND PROCESS RESPONSIBILITY	EMPLOYEES
 No poverty			●			●
 Good health and well-being				●	●	●
 Quality education						●
 Gender equality						●
 Clean water and sanitation				●		
 Affordable and clean energy				●	●	
 Decent work and economic growth	●	●	●		●	●
 Industry, innovation and infrastructure					●	
 Reducing inequality	●	●			●	●
 Responsible consumption and production			●	●		
 Climate action				●		
 Life on land				●		
 Peace, justice and strong institutions		●	●			

● Strong influence
● Medium influence

1.4 INCLUSION OF ALL STAKEHOLDERS

GRAMMER attaches particular importance to dialog with and the inclusion of its various stakeholders. These communications are mostly handled by the relevant parts of the Group. By systematically tracking these activities, it is possible to access the results of such communications centrally in order to address corresponding inquiries from outside the Company or to convey messages from within the Company to the general public. As we maintain very close contact with our stakeholders, we were able to take account of the expectations and needs of the individual groups in the formulation of our sustainability goals.

THE GRAMMER GROUP'S STAKEHOLDERS



1.5 RISK EVALUATION OF NON-FINANCIAL MATTERS

Business always entails opportunities as well as risks. Our risk strategy defines various principles relating to the Group's risk policy. In this connection, GRAMMER defines opportunities and risks in the context of risk management as any positive or negative deviations from

a plan or target defined in circumstances of uncertainty. Risk management thus contributes to value-based management within the GRAMMER Group. GRAMMER Group has implemented a uniform Group-wide risk management system to detect risks at an early stage, to analyze and to assess their causes and to avert or at least mitigate them. The risk management process ensures early identification, analysis and assessment of risks, along with coordinated implementation of suitable measures to manage risk as well as risk monitoring and control. This also entails the early detection of risks to the Group's going-concern status.

Under the CSR Directive Implementation Act governing the disclosure of non-financial and diversity-related information, companies must not only report on the material aspects but also explain the related risks. The concept of risk has been expanded and integrated in risk management to map the non-financial risks in the process. Internal experts have assessed the qualitative impact of our corporate activities. GRAMMER views risk in net terms, i.e. after risk mitigation. No material risks that are linked to the Company's own business, business relations or products and are liable to have severely adverse effects on non-financial aspects have been identified in connection with non-financial aspects. However, there are fundamental risks which may impact individual non-financial aspects. Among other things, this applies to ecological risks which we address by implementing management systems in accordance with ISO 14001 and ISO 50001.



Further information on our risk management process can be found in the Opportunity and Risk Report on page 82.



At the General Management Meeting, the CSR Award was presented to the plant managers for the first time.

CSR AWARD 2019

Corporate social responsibility, i.e. responsibility for employees, the environment and society, is of great importance for the GRAMMER Group and, moving forward, is to be additionally intensified. For this reason, a decision was made to introduce a GRAMMER Corporate Social Responsibility (CSR) Award starting in 2019.

This is an internal award to acknowledge our plants that have displayed a particularly high degree of initiative in the area of sustainability. In this way, GRAMMER is seeking to set an example for greater sustainability and acknowledge the strong commitment within the Group. Awards were presented in three categories: "Environment", "Employees" and "Society".

The projects on which the 2019 CSR Award was bestowed are described below.

ENVIRONMENT CATEGORY: GRAMMER DO BRASIL LTDA., ATIBAIA (BRAZIL)

Project: Recycling of water

A recycling process has been established to recycle the process water at the Atibaia plant after it has been used. The waste water is processed in a biological treatment plant so that it can be reused in sanitary facilities and for cleaning purposes. This promotes the careful use of natural resources.

EMPLOYEE CATEGORY: GRAMMER AD, TRUDOVETS (BULGARIA)

Project: Mutual help for the first day at school and books are precious

Two Bulgarian projects with a similar background were given awards. In the first project, the employees collected items such as sneakers, school bags, clothing etc., which were needed for the first day of school but which they personally no longer used. The items were then given to employees who needed them more urgently, thus helping disadvantaged families. The second project collected books which could be taken home as a gift for the family.

This is a reminder of the importance of knowledge and the value of books.

SOCIETY CATEGORY: GRAMMER AUTOMOTIVE PUEBLA, S.A. DE C.V., QUERÉTARO (MEXICO)

Project: Christmas godparents

The "Christmas Godparents" project in which several companies participate is carried out year for year. All employees can voluntarily support a child from the local community who lives in poverty. For this purpose, GRAMMER employees pack gifts containing clothes, washing utensils and toys. At a charity event, the gifts are handed over in the hope of providing a little Christmas cheer.

2 RESPONSIBLE CORPORATE GOVERNANCE

GRAMMER is committed to specific values that are observed by our employees day for day and shape our business activities. We communicate clearly and openly, thus creating a high degree of transparency for our customers, shareholders and employees. In addition to achieving transparency, GRAMMER attaches key importance to balancing the interests of our stakeholders and ensuring a respectful approach. In this way we are creating the deep-seat trust that is required for business success and our corporate culture.



2.1 ECONOMIC STABILITY

Day for day, GRAMMER works with the utmost care to supply the best possible products. What drives us as a company is our passion for developing new ideas. There are two thrusts to this: On the one hand, we set ourselves ambitious strategic goals to achieve a prominent position in the international market for automotive components. On the other hand, we work on improving comfort and safety for the people all around the world who use our

products. Their trust in our quality makes a decisive contribution to our business success. We must respond flexibly and creatively to market requirements if we are to continue earning this trust. This we do by supplying exactly what gives our customers in the automotive industry as well as the final users the greatest possible added value. We are convinced that the combination of a global footprint and innovative high-quality products will assure the GRAMMER Group of long-term and profitable growth. At EUR 2,038.5 million, GRAMMER Group revenue was up 9.5% on the previous year (2018: EUR 1,861.3 million).



2.2 COMPLIANCE AND ANTI-CORRUPTION

Our binding Group-wide code of conduct defines the values and conduct expected of all employees. It forms the basis of our business activities. All new employees are briefed on this code of conduct, while existing ones undergo regular training to refresh their knowledge of its contents. The code of conduct is available in 16 different languages and is currently being revised.

To be published in 2020, the new version will focus even more keenly on aspects such as human rights, data protection and the rejection of forced labor and child labor in the future. GRAMMER attaches importance to observing all laws particularly those governing fair trade practices and anti-corruption. In addition, we are committed to the prohibition of insider trading, the confidential handling of information, the avoidance of conflicts of interest, protection of the environment, health protection, occupational safety and social responsibility.

20% of all employees

take part in the biannual compliance and cartel law training.

The Group takes different approaches for ensuring compliance with external rules and regulations as well as GRAMMER's own policies. Comprehensive measures have been firmly in place for many years. All specialist and management staff undergo regular anti-corruption and anti-bribery training including the appropriate response to such occurrences. In particular, decision-makers are required to take part in online training.

Our internal control system (ICS) safeguards the efficacy and economic viability of our business activities and ensures due and proper internal and external accounting operations and compliance with the applicable legal requirements. Moreover, regular compliance audits are performed by Internal Auditing to identify any compliance or corruption risks to which individual plants may be exposed. For this purpose, the Transparency International corruption index for specific countries provides an important indicator for determining the frequency of audits at individual locations. Should an audit conducted at a specific GRAMMER location give rise to initial suspicion, further investigations are performed and any necessary consequences taken.

TARGET

Awareness of compliance and corruption risks is to be raised at 100 percent of business sites every two or three years. In addition, compliance audits are to be performed at sites exposed to compliance/corruption risks by 2020.

39 plants

underwent compliance audits in 2019 and 2018 (mostly in the form of self-audits).

Established whistleblowing mechanisms ensure that possible breaches can be readily reported. Thus, a code team has been established to accept any reports. Internal Auditing examines any specific suspicions in accordance with the instructions of the Executive Board or the code team. If investigations relate to individual employees, the findings are forwarded to the Human Resources department, which processes them and takes any necessary measures under employment law.

Together with our open corporate culture, the availability of points of contact for whistleblowers and regular training, we want to continue ensuring in the future that any breaches of the code of conduct including the anti-corruption guidelines are detected and addressed within the GRAMMER Group with the appropriate response.



Code of conduct:
www.grammer.com
 under Company
 > Sustainability
 > Code of Conduct



2.3 SUSTAINABLE PROCUREMENT

GRAMMER views its suppliers as an extension of the Company and as an important part of its value chain. We select suppliers who are committed to a clear system of values and to ethical principles. We expect our direct and indirect suppliers to comply with the solid business practices that we promote, observe laws and standards, perform their duties in accordance with the applicable rules and regulations and also provide documentary evidence of this. A supplier code of conduct was published and additionally integrated in the supplier portal in 2019 to address all sustainability criteria and to do justice to our stakeholders' extensive requirements.

In 2020, GRAMMER will be launching a new digital platform to integrate and network all components required for global procurement management. This will include aspects such as the observance of international legal and ethical standards, administrative requirements and our own corporate guidelines. The supplier's eligibility for bidding for new business opportunities depends on its compliance with and acceptance of the standards we have described in our value-based approach to sustainability in GRAMMER's global supply chain. Of the currently 1,400 suppliers of direct materials, only those that agree to comply with our sustainable procurement requirements will be able to remain part of our global supplier basis in the long term.

In the fourth quarter of 2019, we established a new "Risk Management and Corporate Social Responsibility" position in our supply chain management system. This position, which was previously distributed across various functions within the procurement and supplier quality team, is responsible for implementing and ensuring compliance with all sustainability issues relevant to the supply chain.

In the past, we have used forums such as supplier partner and collaboration days to inform our suppliers of our expectations with respect to the observance of statutory, ethical and environmental requirements. Moving forward, we will continue to use such forums because channels for personal contact and communications are also essential in order to reach out to our very broad supplier base. Over time, however, we will increasingly also be making use of digitalization as the main tool for implementing corporate social responsibility across our supplier base as modern IT tools offer the swiftest and most effective method of communicating with all regions of the world in which we purchase components.

In this connection, we will also be paying particular attention to what is known as "conflict minerals", such as zinc, tantalum, tungsten and gold, which are often mined in regions exposed to high conflict potential. We are working systematically on our processes to exclude the use of conflict materials, the financing of conflicts and the violation of human rights. The origin of the metals are determined in consultation with our suppliers as the materials concerned are not sourced directly from mines or smelters but may be contained in the products that we procure. An annual report based on the conflict mineral reporting template is prepared so as to create transparency across the supply chain. The results are made available to our customers on request.



2.4 OBSERVANCE OF HUMAN RIGHTS

Manufacturing companies are exposed to a greater risk of human rights violations than service companies. Risks of potential human rights violations may primarily arise along the previous value chain and in the procurement of resources. We are aware of our responsibility and have therefore adopted the industry-related code of conduct issued by the German Federal Association of Materials Management, Purchasing and Logistics (BME), which governs conduct with respect to the observance of human rights as well as child and forced labor. This code of conduct applies across the entire Group.

As already explained in Section 2.2, the forthcoming revision of the code of conduct will devote even more space and importance to the observance of human rights. In this way, GRAMMER wants to underscore the significance of human rights.

We are heightening our employees' awareness of human rights issues by means of the "Compliance" e-learning module and local training at our plants. GRAMMER provides its employees with more detailed information on the code of conduct via the Intranet. Moreover, we are committed to the core labor standards defined by the International Labour Organization (ILO) and the UN Universal Declaration of Human Rights.

TARGET

Employee awareness of human rights is to be raised in compliance training sessions (online and also through local training on all employee levels).



CSR guideline for suppliers:
<https://www.grammer.com/supplier-support/purchasing.html>



MSA Statement 2018:
www.grammer.com
> Company
> Sustainability
> Social Responsibility

We also strive to monitor and ensure the observance of human rights along our supply chain by imposing corresponding obligations and performing checks. At supplier days and meetings, our suppliers undergo training and are expressly informed of our Code of Conduct for suppliers and its relevance and contents. CSR guidelines for our suppliers were published and additionally integrated in the new supplier portal in 2019 to address all sustainability criteria in the code of conduct for suppliers and to do justice to our stakeholders' extensive requirements.

3 COMPANY ENVIRONMENTAL PROTECTION

3.1 OVERVIEW AND MANAGEMENT APPROACH

The GRAMMER Group assumes responsibility for the environment and, in doing so, takes an integrated approach. Our mission statement defines active environmental protection as a key goal. We are making a contribution to this by designing and assembling our products in such a way as to ensure environment-friendly production as well as safe utilization and disposal on the basis of their life cycle.

Overall responsibility for environmental management has been assigned to the Quality, Services and HSE, which reports to the Chief Operating Officer. This unit devises strategic parameters for environmental protection across the entire Group under the guidance of the Senior Manager, Health and Safety. A local environment, health and safety manager is assigned to each plant to implement the measures. We are also aiming to reduce business-induced environmental impacts as far as possible. Accordingly, material goals and measures relating to company environmental protection entail increased energy efficiency, a reduction in emissions from production and the value chain and the optimum use of resources along our value chain. The targets pursued by and the progress made in our environmental activities including observance of all relevant legal rules are regularly audited and assessed both internally and externally. By making appropriate adjustments, we are able to achieve continuous improvements in our environmental and energy management systems. 83% of all the Group's facilities around the world have already installed an environmental management system in accordance with ISO 14001 and defined local environmental targets and measures.

TARGET

We plan to have all GRAMMER facilities certified in accordance with ISO 14001 by the end of 2020.

83%

of our production sites have installed an environmental management system certified in accordance with ISO 14001.

We have already rolled out an energy management system in accordance with ISO 50001 at our German plants, thus ensuring compliance with the statutory requirements. With these measures, we are able to monitor, control and, if necessary, adjust energy consumption and identify potential for savings.

TARGET

We plan to have all GRAMMER facilities certified in accordance with ISO 50001 by the end of 2020.

91%

of the German production facilities are certified in accordance with ISO 50001.

In order to achieve our goals, we encourage, train and motivate our employees by means of specific training measures, allowing them to perform their duties responsibly and in the light of our environmental targets. We keep our employees, customers and general public informed of the current status of our environmental and energy management systems with the aim of fostering open and transparent communications and cooperative relations with government authorities and the general public.



Environmental and energy policy:
www.grammer.com
under Company
> Sustainability

3.2 EMISSIONS

One important aspect concerns the emissions which enter the air, water or soil as a result of production activities. As part of its environmental management system, GRAMMER has implemented extensive measures at its facilities for reducing emissions and monitoring their implementation. In addition, we have individual plans at numerous facilities that take account of the specific nature of the local activities and processes as well as national requirements. We are currently pursuing the goal of documenting the various local approaches centrally, collecting historical data and defining uniform benchmarks.

TARGET

The key emission indicators, targets and measures are to be recorded centrally for 100% of our production sites by 2020.

One particular focus is on reducing air pollutants, such as CO₂ emissions and volatile organic compounds. These are continuously measured in the emission-intensive systems at our plants. In this context, we have calculated the CO₂ emissions of the sites according to the Greenhouse Gas Protocol (GHG Protocol) this year for the first time. This involves determining the Scope 1 emissions, i.e. direct emissions occurring during the Company's own energy production and the production process, as well as Scope 2 emissions, i.e. indirect emissions that, for example, arise when externally sourced electricity and heat are used. The calculation process will be undergoing further optimization and expansion over the next few years.

GRAMMER's Automotive Division uses emission-reduced foam materials in the EMEA, APAC and Americas regions to lower emissions of volatile hydrocarbons by up to 70% in some cases. Likewise, emissions from the use of water-based foam release agent have been cut by around 75%. This has been implemented at seven out of 18 plants, with further sites to follow in 2020.

Another project worthy of mention is the significant reduction of solvents at one site in Germany (Zwickau). By optimizing the processes and using water-based coatings in combination with solvent-based hardeners, it was possible to achieve a considerable reduction in emissions in the painting process for plastic parts for car interiors. In fact, with the improvements achieved it is now possible to dispense with exhaust gas treatment systems in the production process.

In the interests of conserving resources, we apply a waste material hierarchy to minimize waste during the production phase. Seat upholstery materials are cut in such a way as to reduce wastage as far as possible. If it is not possible to recycle waste, it is disposed of properly.

This year, our site in Bulgaria (Trudovets) took part in World Cleanup Day to raise awareness of the need for environmental protection, avoidance of waste and a healthy use of our natural resources worldwide. Thanks to the active support of the employees, the immediate vicinity of the plant site was cleared of rubbish and waste.

A significant reduction in solvents was achieved at one German site by changing the processes in a paint shop.



4 PROCESS AND PRODUCT RESPONSIBILITY

4.1 OVERVIEW AND MANAGEMENT APPROACH

The GRAMMER Group attaches key importance to process and product efficiency, quality and safety. Product responsibility commences in the development phase and continues during production (use of material) and subsequent utilization by the customer. Examples of important criteria include quality, resilience, safety, ergonomics, product innovation and sustainable procurement. Process responsibility addresses the question as to how processes are developed, rolled out and monitored. In this respect, the focus is on efficiency, compliance with standards, new and innovative production methods and high quality. These aspects must be intermeshed within the value chain at all times. Our high-quality seating systems and premium interior products are currently being produced at 48 (2018: 48) production and logistics facilities around the world. In order to meet the high quality requirements which our products must satisfy, we have also established a uniform quality management system. All our GRAMMER sites are regularly certified under the ISO 9001 quality management standard or the IATF 16949 quality management standard for the European and American automotive industry.

100%

of our production facilities are certified in accordance with ISO 9001, IATF 16949, ISO/TS 22163.

Innovations in products and production processes form a key determinant of the GRAMMER Group's business success. At the same time, they seek to minimize the strain on the environment. At EUR 64,119 thousand, non-capitalized research and development costs remained steady compared with the previous year (2018: EUR 60,634 thousand).

3.2%

was the share of non-capitalizable research and development costs in total revenue.

4.2 INNOVATIVE PROCESS SOLUTIONS

The assembly of high-quality seating systems and premium interior products calls for production excellence. To this end, GRAMMER has defined core processes and spent substantially on these in the last few years. At the same time, we are increasingly migrating our standardized core processes to the individual regions to achieve low local production costs, reduce logistics costs and minimize currency-translation effects. In addition, we are seeking to deploy the best technology available in order to reduce energy requirements and emissions in the production process.

For example, foaming, painting and gluing systems now use solvent-reduced materials on a large scale. At the same time, we are working on reducing the number of components in our products. Comprehensive testing on the basis of guidelines and internal specifications ensures that standards going beyond the legislative requirements are observed. In efforts to harmonize development, production and series standards and processes, it is necessary to take account of the differences in the individual segments. Whereas the Automotive Division must generally observe comprehensive OEM-specified requirements, the Commercial Vehicles Division has considerably more discretion of its own due to the large volume of proprietary developments.

The Industrial Engineering department continued to standardize production processes and equipment and developed or implemented innovation and automation initiatives step by step to secure the Company's ongoing competitiveness.

The purpose of the GRAMMER production system (GPS) is to achieve a continuous improvement in our value flows by systematically minimizing work and resource requirements. This is done through the improved use of material resources in order to reduce rejects (raw materials), inventories (space) and transportation (energy). At the same time, we structure workplaces to help our employees achieve the desired results with the least possible effort in an accident-free and healthy working environment. This entails:

- the avoidance of unnecessary and unhealthy movements (ergonomic workplace design)
- the avoidance of unnecessary work steps (standardized work)
- the balanced distribution of processing steps (line balancing)



Quality policy:
www.grammer.com
 under Company
 > Sustainability

In order to accelerate the ongoing development and implementation of the GRAMMER Production System, a Lean Training Center was installed in each of the EMEA, Americas and APAC regions. The training centers address all elements of the GRAMMER production system by means of a “lean factory”. In order to render the system tangible, we familiarize our employees with lean production, particularly by means of practical focus training, and jointly develop approaches for holistic implementation and continuous improvement.

TARGET

Continuous avoidance of waste in processes through Kaizen workshops and events.

The continuous improvement process (Kaizen) serves to optimize the organization as well as to enhance the GRAMMER Production System. Our employees are systematically involved in the improvement process. Kaizen workshops were held at all GRAMMER plants in 2019. The main focus here is on the identification and elimination of waste (muda) in our production processes and related areas. In addition to business factors, it also integrates measures aimed at motivating employees and furthering environmental protection. We place planning and implementation in the hands of our employees, who are supported by the management, in order to promote active participation at all levels.

The “One Day in Production” initiative offers managers an opportunity of gaining insights into the production and logistics areas.

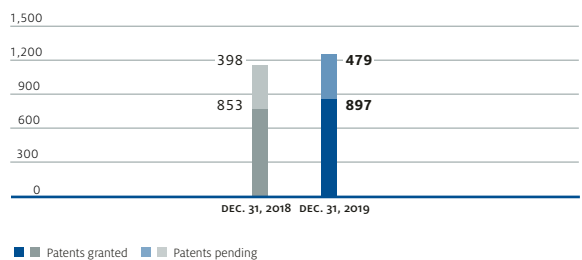


4.3 INNOVATIVE PRODUCT SOLUTIONS

The GRAMMER Group has established research and development (R&D) units in key regions in order to offer customers high-quality solutions meeting their requirements. Our engineers work on the further development of GRAMMER products at a total of 15 locations. In addition, R&D is present at selected production plants to provide the necessary support. The number of patents pending and granted rose by 10% to 1,376 in 2019 (2018: 1,251) as a result of this.

PATENTS

NUMBER



TARGET

The number of patents is to be increased and innovation performance reinforced in the long term. To quantify our innovation performance, we measured the number of innovations in the development process in a pilot phase in 2019. This number of new parts is systematically determined via our PDM (development document database) and SAP system and serves as a basis for achieving corresponding comparability in the following years.

In the interests of the continuous development of our product range, we use a modern innovation management system that has been adapted to our needs in recent years. At the core of this approach are semi-annual innovation camps (“InnoCamp” for short), which adapt our innovation activities to meet the constantly changing needs of the market. Product ideas are jointly coordinated in international teams consisting of product and process experts, employees from sales and purchasing as well as managers from the divisions and functions and incorporated in the decision-making process. This is professionally overseen by Strategic Product Planning “SPP” in close cooperation with R&D.

The GRAMMER Group has already entrenched sustainability in the product development process. An internal environmental manual sets out the rules for environmentally friendly product development and includes, for example, stipulations concerning the use of materials as well as a list of banned substances and materials. In addition, we record all necessary materials and fabric components for a component to facilitate end-of-life recycling of our products.

Rapid technological process is being accompanied by the steadily growing demands made of components suppliers by OEMs (original equipment manufacturers). Drive trains, vehicles concepts and the level of driving automation alongside safety and digital interfaces are defining the framework for future development. Thus, new developments in autonomous driving are also calling for a new approach to cabin and cockpit design. In addition, there is demand for heightened comfort in the truck and offroad segment together with a growing trend towards electronic integration of various functions in seats. Further challenges entail the human-machine interface, which calls for highly modern user interfaces, as well as the integration of different functions in more and more components. Thus, there is growing demand for components that are not only highly stable but also exhibit outstanding functional, aesthetic and haptic qualities. We are observing further progress in interior upgrading in new vehicle concepts and are able to offer appropriate innovative solutions.

LIGHT-WEIGHT CONSTRUCTION

Our products help our customers to act in an environmentally responsible manner. Innovations such as light-weight construction allow weight savings to be achieved as a means of reducing fuel consumption. Light-weight construction plays a key role in the development of center consoles, armrests and headrests. For one thing, reduced material requirements lowers resource input and, for another, cuts CO₂ emissions during the vehicle product life cycle. We achieve weight reductions by means of function integration and design, for example. Material is additionally saved through the use of foam injection molding and the partial reduction of the density of PU1 foam parts.

RECYCLING

The seat structures made of high-strength steel are recyclable and the plastics used can be easily separated and recycled according to type at the end of their life cycles thanks to clear labelling. What is more, our "Smart

Textile" project is conducting research into recycled textiles (e.g. materials made from recycled PET bottles and intimation leather made from fruit peels) for use in vehicle interiors and with seating systems in order to additionally lower resource requirements. In addition to recycling, measures aimed at increasing the service life of our products also help to ease the strain on the economy. In the case of driver seats, this means optimizing the kinematics and preventing any softening of the seat suspension as the product life cycle progresses despite the very high strain to which it is exposed. At the same time, we are continuing to explore the use of more robust textiles to overcome the effects of wear and tear on seats at an early stage.

ERGONOMICS

In our development activities, we attach particular importance to ensuring that the driver's health is preserved through ergonomically optimized products. Moreover, our headrests are an important safety feature for very largely preventing injury of or strain on the cervical spine in the event of an accident. Products that are not only height-adjustable but also permit the distance from the head to be modified and then store these personal settings in a memory function provide especially effective protection. In addition, our crash-active headrests protect passengers from the risk of whiplash injury. The ergonomic design of our multifunction armrests for commercial vehicles featuring an optimum arrangement of the control elements eases the strain on the spine, prevents overstraining of the forearm, shields the driver from excess mental pressure and heightens the seat comfort. Our suspension seating systems for all kinds of commercial vehicles also meet the highest ergonomic requirements, thus helping to preserve the driver's health. The GRAMMER Group regularly reviews the status of its products on the basis of customer feedback, internal testing, user studies and discussions with leading biomechanics and spine researchers.

In this connection, we use biomechanical measuring methods to test the impact of new features on the human body. Using electromyography (EMG), we measure electrical muscle activity in strain situations for example. Efficient and safe use of a vehicle calls for physically and mentally sound drivers. For this reason, the GRAMMER Group is particularly committed to promoting basic spine research. For this reason, we have established the GRAMMER European Spine Journal Award in recognition of outstanding research activities.

5 EMPLOYEES

5.1 OVERVIEW AND MANAGEMENT APPROACH

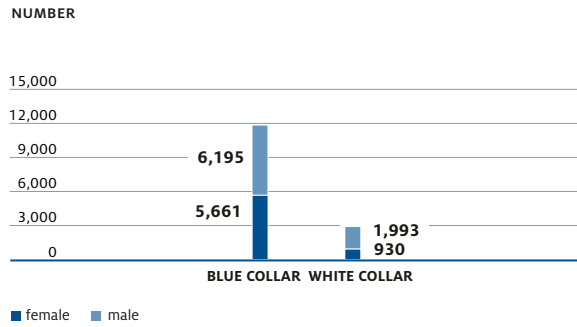
Our business success is above all the result of the commitment and dedication of our 14,779 employees around the world (6,591 women and 8,188 men as of December 31, 2019). We maintain a dialog with them characterized by mutual trust and involve them in the development of the GRAMMER Group. We respect their right to freedom of association and to engage in collective negotiations. Together with the line managers, Human Resources is responsible for staff development. Human Resources reports directly to the Chief Executive Officer and HR Director.

The human resources strategy reflects the GRAMMER Group's strategy. In addition to requirements planning and the further development of the human resources structures, the main focus is on the expansion of conceptual employee development, the encouragement of proactive collaboration and strengthening employer branding at GRAMMER. The sustainability concepts developed in the year under review are systematically linked with our human resources strategy and define further goals and measures in the following areas:

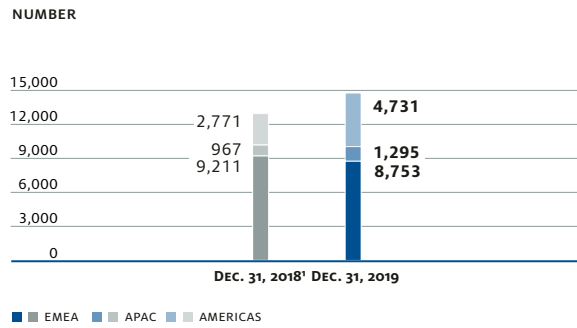
- Employee satisfaction
- Employee development and fostering
- Health and Safety

The GRAMMER Group has a global footprint with operations not only in Europe but particularly also in the Americas and Asia. This is also reflected in the international composition of our workforce. As we are a production company, around 80% of our employees work in production. We seek a reasonable gender balance and actively support and encourage our female employees.

EMPLOYEES BY TYPE OF EMPLOYMENT 2019

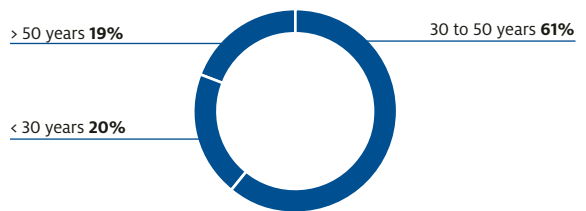


EMPLOYEES BY REGION



¹ Key figures excluding TMD-Group.

AGE STRUCTURE 2019



5.2 EMPLOYEE SATISFACTION

The satisfaction of our employees forms one of the basic pillars for productive and favorable working conditions at the GRAMMER Group. In 2017, we conducted an employee survey as a global feedback and strategic tool for corporate and organizational development. In this way, we want to regularly evaluate key parameters for employee loyalty and motivation around the world as a basis for defining specific measures. Various global, regional and local projects were initiated on the basis of the results of this evaluation. A new employee survey is planned for 2021 to monitor the effectiveness of the measures taken and to identify starting points for further projects to increase satisfaction. In doing so, we have set ourselves the goal of additionally reinforcing existing strengths and making greater use of existing potential.

TARGET

Regular systematic employee surveys as a basis for defining measures. Feedback rate (online and paper) of at least 65%. Local staff loyalty programs will be defined and implemented on the basis of the results of the employee survey by the time the next employee survey is held.

OPEN COMMUNICATIONS AND COOPERATION

With the introduction of the internal GRAMMERonline newsletter in 2018, we created a medium for keeping our employees updated worldwide and simultaneously about the latest news within GRAMMER Group. We are also using this platform to report regularly on the activities of our global plants and business units in areas such as corporate social responsibility and team development. In 2019, we reported on exemplary activities such as the team-building event of our Supplier Management in China, participation in the World Cleanup Day by our plant in Trudovets, Bulgaria and the “Beijing Economic-Technological Development Area Sports Meeting”. In order to additionally reinforce the feeling of togetherness and to heighten mutual understanding, the “Meet & Discuss” pilot project was launched in 2019 to give interested employees at the sites in the Amberg area an opportunity of getting to know the members of the Executive Board in personal discussions. In addition, the “Way of Working” program was launched in autumn 2019, which calls for and promotes international cooperation across divisions and departments.

WORK-LIFE BALANCE

We are working on three main aspects to improve employees' work-life balance at GRAMMER: We continuously improve our managers' leadership skills to ensure that these matters are firmly entrenched in our organizational structures. We are creating the necessary basis for flexible working time models (including part-time hours) and implementing numerous measures for promoting health, while also supporting career reintegration. In addition, we are improving the family/job balance by constantly working to improve support in the arrangement of childcare.

DIVERSITY

As one of the first signatories of the Diversity Charta in 2006, GRAMMER does not see diversity as a temporary trend but is committed to putting it into practice. As in previous years, we thus participated in the 7th German Diversity Day to highlight the diversity of our workforce and its importance for the Company's sustained success. We also encourage cross-border exchange and networking within the GRAMMER Group through our international training programs and by constantly increasing our employees' international mobility.



GRAMMER is active in 20 countries worldwide.

COMPANY PENSION SCHEME

The company pension scheme is a key pillar alongside statutory pensions and private retirement savings to safeguard employees' standard of living after they reach the age of retirement. We are promoting this sustainable retirement-saving scheme. For this reason, we rolled out a company pension scheme for employees in the Amberg region in 2018, additionally implementing it at the GRAMMER System GmbH plants in 2019. Looking ahead, we plan to introduce the company pension scheme at the GRAMMER Group's other German plants.

5.3 EMPLOYEE DEVELOPMENT AND ADVANCEMENT

New employees undergo appropriate on-boarding so that they are able to perform their duties and feel secure in their areas of responsibility without undue delay. Plant operatives receive training on the machinery that they are to operate. To this end, training centers have been established at several locations around the world. In the case of office staff, the responsible line manager devises an on-boarding plan before new recruits commence their duties. In this way, they are acquainted swiftly and systematically with the matters and interfaces of relevance for them. During the onboarding phase, new recruits are assigned a mentor, whom they can approach if they have any questions as a means of acquainting themselves with their new position. We have thus achieved our objective of developing an onboarding system for all employees. Looking forward, we will also be integrating elements of our learning management system (LMS) to place the onboarding process on an even more sustainable footing. In this way, it will be possible for employees to organize their learning units more independently in line with the availability of their time. This will also enable us to track the effectiveness of the learning units even more efficiently and, if necessary, to provide employees with additional training opportunities in accordance with their needs.

TARGET

The onboarding scheme for all employees is to undergo further improvement.

After we recruit new employees, we continue to train them on a targeted basis in line with requirements so that they possess the skills required to perform their duties and to address new challenges. Our employee training activities cover the entire range of statutory requirements as well as those aimed at enhancing quality and developing skills. In addition, we offer individual support, such as coaching, as well as team development activities.

CAREER@GRAMMER

In order to fill key positions swiftly and thus contribute to the Company's sustained success, we support experienced managers as well as employees in their efforts to prepare for a leadership role in their career plans with the help of internal qualification programs. We have established GRAMMER Corporate Development Training worldwide under the name career@GRAMMER. It is made up of three modular programs (DRIVE, FAST LANE and TOP GEAR) aimed at strengthening cross-department and cross-location networking as well as reinforcing the necessary leadership skills and social competence among other things. With the availability of dedicated channels, employees have had avenues for many years for providing feedback and for reporting any problems openly and in good time. We conduct annual performance assessment talks with our pay-scale employees.

Non-pay-scale employees in Germany as well as all management positions in our grading system also undergo performance and potential analysis in the form of employee discussions. The annual appraisal interview for all employees included in the system constitutes an important instrument for securing a consensus on the performance benchmarks between managers and employees and for defining development targets. At the same time, employees are encouraged to assume responsibility for their own career development.

100%

of all non-pay-scale employees in Germany as well as all managers in our grading system are integrated in the appraisal process.

TARGET

Looking forward, the appraisal process will be enhanced within the framework of performance management and supplementary programs for employee development established.

LEARNING MANAGEMENT SOLUTION

In order to address the need for ongoing further education even more effectively, we adopted a learning management solution in 2019 to provide targeted learning opportunities regardless of the time and place. "E-learning" in the broadest sense encompasses all forms of learning involving electronic or digital assistance. With the ongoing internationalization of the GRAMMER Group, it is becoming increasingly more important to convey a uniform global understanding of products, production activities and processes for all employees. The implementation of a learning management system is supporting this from a strategic point of view. With LMS, we are pursuing the goal of improving the quality of information sharing and teaching on a sustained basis

by implementing e-learning modules. At the same time, e-learning modules can standardize training and elicit a uniform understanding of processes in tandem with defined quality standards for all employees. In this way, the LMS is an answer to the requirements arising from

TARGET

75% of the defined specialist areas are to have access to the e-learning platform in 2020.

the sharp growth in the Group's international footprint.

As well as this, we are continuing to take measures to additionally drive forward internationalization within the GRAMMER Group and to make working conditions even more attractive for our employees. The focus here is on intensifying global knowledge sharing. We have made foreign transfers even more attractive and are seeking to encourage a greater number of employees to accept such temporary foreign assignments.

5.4 HEALTH AND SAFETY

Safety is of paramount importance in a production company like GRAMMER. This stems from the need to avoid accidents and to encourage activities for preserving employees' health and ability to perform.

We have also adopted extensive measures for promoting health and safety. Examples include training and the organization of company sports. In accordance with the statutory requirements, GRAMMER has installed an occupational integration management system at its German sites and appointed an occupational integration management coordinator. In this way, we are able to help employees who were unable to work for more than six weeks over the previous twelve months to ease themselves back into working life. This also helps to prevent the employees from relapsing into illness and to preserve their long-term working capacity. In 2019, we additionally improved IT support in this process and are now



Health and safety policy:
www.grammer.com
 under Company
 > Sustainability
 > Employees

able to provide our employees with even prompter and more targeted support. By simultaneously integrating the company physician, the employee representative council, representatives of people with disabilities and Human Resources in this process, we are achieving a high level of acceptance among our employees and thus creating optimum conditions for joint solutions. In addition, a health task force has been established in Germany to concentrate on employees' health matters. It develops specific proposals and ideas for furthering employee health. In addition to advice on occupational medicine, GRAMMER also offers voluntary solutions via its in-company medical center, such as annual flu vaccinations and eye tests.

The absence rate across all companies (excluding the newly acquired TMD Group) was 4.76% in 2019, thus reaching the goal of less than 5% in that year. As we move forward, we want to continue pursuing various measures to improve employee health in order to keep the absence rate at a low level.

4.76%

was the absence rate. [All companies (excluding TMD) as of December 31, 2019]

TARGET

The absence rate is to be kept consistently below 5%.

Plant management at each GRAMMER site is responsible for occupational safety and is supported by a local environment, health and safety manager. GRAMMER wants to have all production sites certified in order to integrate occupational health and safety in day-to-day company practices effectively. After coming into effect in March 2018, ISO 45001 is being implemented step by step at our facilities.

TARGET

The occupational safety and health management system certified in accordance with ISO 45001 is to be implemented at all sites by the end of 2020.

However, it was not possible to meet the original target date (end of 2019) due to the reorganization of the Management Systems unit. Nonetheless, it will be implemented in 2020 thanks to the new organizational structure and the steps that have already been commenced to roll out ISO 45001.

A global reporting and performance measurement system has been installed for occupational safety. The transparency and comparability achieved in this way will promote the networking of the individual sites. The synergistic effects gained as a result will improve occupational safety globally on a lasting basis and mark a major step towards achieving the zero accident target.

One particular aspect of this is the workplace design that seeks to minimize the strain on employees as far as possible. This particularly concerns noise and emissions as well as physical stress. With our comprehensive safety measures, we are actively promoting our employees' safety and health. For this reason, particular attention is being paid to the installation of ergonomic furniture and the creation of a healthy working environment at the newly constructed corporate headquarters.

6 CORPORATE CITIZENSHIP

At the GRAMMER Group we are aware of our responsibility as a corporate citizen and support charitable projects, voluntary activities and training facilities in the Upper Palatinate region in Germany and elsewhere around the world. In doing so, we always observe the principles enshrined in our code of conduct as well as our global sponsoring policy. In its donations and sponsoring activities, GRAMMER attaches particular importance to assisting social facilities and projects. Moreover, we support sports, concentrating in particular on young people in different team sports. GRAMMER does not provide any financial support for political parties and/or similar lobby groups.

In the area of secondary and tertiary education, GRAMMER takes part in various partnerships and development and sponsoring programs. This includes schools, vocational training centers and universities in the Amberg region as well as in other parts of Germany and the world. Our aim is to prepare young people for the employment market. To this end, we organize career information days for various target groups among other things. Site inspections and internships are offered at our sites in Germany and also in the Czech Republic for example. The “Manager for a day” initiative in Bulgaria gave school students an insight into various functions in the Company.

As in every year, our employees were able to apply for one of the coveted “sponsoring packages” in 2019 on behalf of their sports clubs, social projects, fire brigades, rescue services or care facilities and extensive use was made of this offer. In the year under review, sponsoring packages with a total value of EUR 20,000 were awarded.

Numerous social projects were also funded and implemented at international sites. In this way, hospitals, schools and other social institutions were supported not only financially but also through the commitment of our employees. One example is the project in Querétaro in Mexico, which received our internal CSR Award. Further information on the “Christmas godparents” project can be found in page 30.



GRAMMER presented a check to the SpVgg in Ebermannsdorf just one of the many winners of the sponsoring packages.