

COMBINED SEPARATE NON-FINANCIAL REPORT



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 communicating this message internationally. In this connection, sustainability has the same local and global importance. This is due to the growing realization around the world that motor vehicles must address heightened environmental awareness: it starts with the need to reduce vehicle fuel consumption but also entails the introduction of environment-friendly drive systems and new approaches to traffic management as well as a reduction in individual transportation. New impetus can already be generated at the production stage through the use of light, innovative and recyclable materials and the implementation of the latest production processes. These trends mean that components suppliers and OEMs must take steps to safeguard the future viability of their business models. We continue to see the GRAMMER Group as being well positioned for the future but realize that these changes also pose challenges for us. Thus, although our products will continue to be in demand very largely regardless of the drive train, issues such as light-weight construction, environmental impact and autonomous driving are calling for new and enhanced solutions.

This report is the combined separate non-financial statement for both the GRAMMER Group and GRAMMER AG for 2018 as defined in sections 289b, 315b HGB and has been made available publicly on the

corporate website under "COMPANY" > Sustainability > Non-Financial Report.

Unless otherwise stated, the content refers to the entire GRAMMER Group including GRAMMER AG. Where used below, the term GRAMMER Group includes "GRAMMER AG".

This combined separate non-financial report (NFR) has been prepared in accordance with the requirements of sections 289b to e and 315c 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, the NFR 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. GRAMMER AG successfully completed the acquisition of US automotive components supplier Toledo Molding & Die, Inc. (TMD) at the end of last year. Accordingly, TMD's sustainability figures will only be included in the combined separate non-financial report from the 2019 financial year onwards.

The GRAMMER Group has defined solely financial parameters and the most significant financial 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 on page 91 et seq. Moreover,

there is no direct link between the amounts reported in the annual financial statements of the GRAMMER Group in accordance with section 289c (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 315b (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) standard. Looking forward, reporting in accordance with this standard is to be expanded step by step.

1 SUSTAINABILITY AT GRAMMER

The GRAMMER Group 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 environmental management at all locations.

In its two Divisions – Commercial Vehicles and Automotive – GRAMMER is already putting sustainability into practice. One example of this can be seen in the development of products where certain materials are used to reduce weight or to lower the amount of energy required. Further aspects concern employee training and further education, health care, site safety and also local support for civil society.

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.

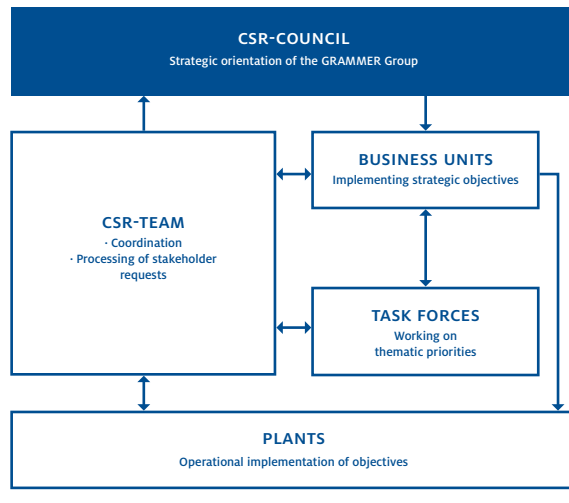
In view of its high importance for the GRAMMER Group's business activities, responsibility for sustainability is assigned directly to the Executive Board. The CSR-team supports it, coordinating GRAMMER's activities

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 accounting, compliance, human resources, R&D, communications, quality assurance, IT, environment and production. Institutionalized dialog and regular meetings ensure that sustainability as an issue is firmly rooted in the Group and implemented in accordance with the corporate strategy and business requirements.

The individual business units represented on the CSR-council are responsible for implementing the strategic objectives. This involves close communication with the individual plants to operationalize the objectives.

In the year under review, tasks forces addressing environmental matters, the supply chain and sustainable products were established to work on these issues on a cross-segmental basis where required.

CSR-ORGANISATION



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. A total of 13 material matters were identified in an extensive evaluation process that proceeded from a total of around 100 potential matters relevant to the Company and the sector in the areas of economy, ecology, society and ethics. These had been evaluated and adopted by management in 2015. Subsequently, we attached key importance to developing and formulating strategies and approaches aimed at additionally securing sustainability.



A description of the diversity policy in accordance with section 289f (2) sentence 6 HGB can be found on page 29.



Further details on the business model can be found in the Management Report on page 46.

| ASPECTS OF RELEVANCE FOR THE GRAMMER GROUP | MATERIAL ASPECTS | NON-FINANCIAL ASPECT |
|-----------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------|
|  Economic stability | <ul style="list-style-type: none"> • Economic performance | Cross-cutting issue |
|  Corporate governance | <ul style="list-style-type: none"> • Compliance | Cross-cutting issue, particularly anti-corruption |
|  Human rights | <ul style="list-style-type: none"> • Child and forced labor | Observance of human rights |
|  Environmental protection | <ul style="list-style-type: none"> • Air/water/soil emissions | Environmental footprint |
|  Product and process responsibility | <ul style="list-style-type: none"> • Innovative product and process solutions | Cross-cutting issue |
|  Employees | <ul style="list-style-type: none"> • Employee satisfaction • Employee development (including development of young potentials) • Occupational health and safety | Employee matters |

This did not only involve the basic definition of goals but also entailed systematic formulation and detailing for the GRAMMER Group. Thus, we defined specific targets and activities for selected material aspects.

During the period under review, the GRAMMER Group worked on the Group-wide establishment, systematic implementation, documentation and monitoring of sustainability standards. A further key aspect was the completion of an impact assessment to additionally focus our activities. Using a scoring model, the existing 13 material matters were analyzed for their impact on the environment, the economy and society. Particular attention was paid to the severity and probability of an impact. As a result, this report now covers eight material matters, which are illustrated in the diagram above.

In addition to the matters defined as material, “corporate citizenship” has been included as a further relevant issue in this combined separate non-financial report 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.

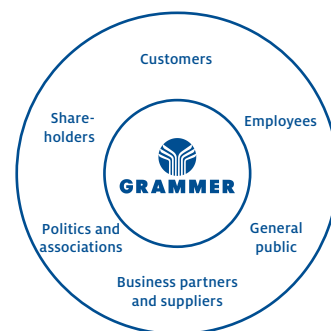
Sustainable procurement at GRAMMER is also described to provide a comprehensive overview.

1.3 INCLUSION OF ALL STAKEHOLDERS

GRAMMER attaches particular importance to dialog with and the inclusion of different stakeholder groups. 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.

STAKEHOLDER GROUPS GRAMMER GROUP



1.4 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 matters but also disclose the related risks. The concept of risk has been expanded and integrated in risk management to depict 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.

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. Thus, we created the deep-seated 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. This entails two thrusts: 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 presence and innovative high-quality products will assure the GRAMMER Group of long-term and profitable growth.

At EUR 1.86 billion, GRAMMER Group revenue was up 4% on the previous year in 2018 (2017: EUR 1.79 billion). This growth in Group revenue vindicated the long-term strategy aimed at improving profitability.



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.

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.

3,000 Employees
take part in the biannual compliance and cartel law training.



Further details on economic efficiency can be found in the chapter entitled "Result of operations" in the management Report on page 53.



Further information on our risk management process can be found in the Opportunity and risk report on page 71.



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

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. The purchasing and accounting functions are regularly audited. If an audit conducted at a specific GRAMMER location gives rise to initial suspicion, further investigations are performed. In 2018 plant inspections did not give rise to any suspicions necessitating a more detailed examination.

OBJECTIVE

Sensitivity for compliance and corruption risks is to be raised at 100% 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.



Further information on purchasing can be found at:
www.grammer.com
 > Supplier-Support
 > Purchasing

24 Sites

underwent compliance audits in 2018
 (mostly 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. In 2018, one case of discrimination was reported and investigated. No instances of corruption were reported or investigated. Together with our open corporate culture, the availability of points of contact for whistleblowers and regular training, we will continue to ensure 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.



Further details on compliance can be found in the Corporate Governance Report in the Management Report on page 28.



2.3 SUSTAINABLE PROCUREMENT

GRAMMER views its suppliers as an extension of the Company and as an important part of the broader value chain. We search for 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.

In the interests of integrated environmental protection, we source our raw materials, supplies, consumables and services in accordance with ecological criteria and also in the light of energy efficiency requirements. We take appropriate measures to encourage our business partners to orient themselves to our activities and to likewise obtain environmental and/or energy certification.

We keep our suppliers regularly informed of matters pertaining to corporate social responsibility and the code of conduct (CoC). To this end, regional supplier partner days (Asia, the Americas, Europe), collaboration days and also supplier days at our plants are held among other things. These issues also form an integral part of our contracts.

A responsible approach to finite resources is of great importance to us. In this connection, we also pay particular attention to what is known as "conflict minerals", such as tin, 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.



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 upstream 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 human rights as well



GRAMMER conducted supplier days in China, Germany and Mexico in the year under review.

as child and forced labor. This code of conduct applies across the entire Group.

We heighten our employees' awareness of human rights issues by means of the "Compliance" e-learning module. 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.

OBJECTIVE
To arouse employee awareness of human rights through compliance training sessions.

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.

In 2018, we worked systematically on expanding our code of conduct for suppliers to include all sustainability criteria and to do justice to the extensive requirements. It is to be published and placed in the new supplier portal next year, while further measures for monitoring suppliers will be developed.



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 make a contribution by designing and assembling our products in such a way as to ensure environment-friendly production as well as safe utilization and disposal.

Overall responsibility for environmental management has been assigned to the Quality unit, which reports to the Chief Operating Officer. This unit devises strategic parameters for environmental protection across the entire Group. 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.



BME Code of Conduct:
www.grammer.com
> Supplier-Support
> Purchasing



Environmental and Energy Policy:
www.grammer.com
> Company
> Sustainability
> GRAMMER Environmental and Energy Policy

More than half 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.

OBJECTIVE

We plan to have all GRAMMER facilities certified in accordance with ISO 14001 by the end of 2019.

70%

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

In 2015, we supported the plants and companies at the German sites by rolling out an energy management system in accordance with ISO 50001, 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.

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.

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.

OBJECTIVE

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. Thus, for example, GRAMMER's Automotive Division uses emission-reduced foam materials 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 four different plants, with further sites to follow in 2019.

In production processes, water is primarily used in the paint shop and as a cooling agent. Various steps have been taken at our plants to lower water requirements.

In Brazil, process water is recycled after use and utilized in other appropriate places. In addition, fresh water inflow and waste water amounts are continuously measured at production sites.

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 waste as far as possible. If it is not possible to recycle waste, it is disposed of properly.

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 ultimate 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 39 (2017: 40) production and logistics facilities¹ 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.

97%
of our production facilities are certified in accordance with ISO 9001/IATF 16949.

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 60,634 thousand, the non-capitalized research and development costs were roughly the same as in the previous year (2017: 65,258).

EUR 60,634 THOUSAND
Research and development expenses in 2018.

¹ Excluding TMD.

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 purpose of the GRAMMER product system is to achieve a continuous improvement in our value flows by systematically reducing 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.



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



Employees undergo a multi-level further education program to enhance operational excellence.

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)

Using Kaizen processes, we systematically integrate our employees in the continuous improvement process.

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

In addition to business factors, this also includes measures aimed at motivating employees and furthering environmental protection. Planning and implementation always remain in our employees' hands, thus encouraging active participation on all levels. At the core of GRAMMER's Kaizen philosophy is the avoidance of waste such as unnecessary transportation, high inventories, superfluous movements, waiting times, surplus production, process complexity and errors.

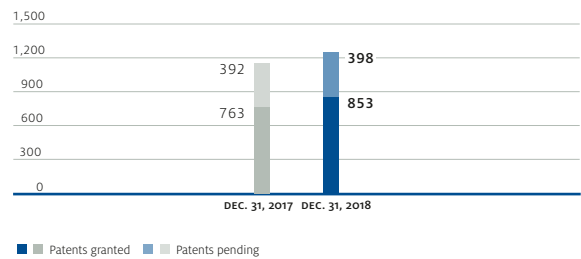
4.3 INNOVATIVE PRODUCT SOLUTIONS

The GRAMMER Group has established local research and development (R&D) units at some of its sites 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 8% to 1,251 in 2018 (2017: 1,155) as a result of this.

In addition, the establishment of a new joint venture known as "AllyGram Systems and Technologies" in India was prepared in December 2018. Looking forward, this company will be providing engineering services for our GRAMMER facilities and will therefore be making a decisive contribution to boosting the Group's R&D capabilities. Rapid technological process is being accompanied by the steadily growing demands made of components suppliers by OEMs (original equipment manufacturers). Motor types vehicles concepts and the level of driving automation alongside safety and digital interfaces are defining the framework for future development.

PATENTS

NUMBER



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.



GRAMMER organized the GRAMMER Ergomechanics Congress for the third time. Under the motto “Research meets Application”, 14 highly qualified experts presented their research on various aspects of the human spine and back health on a multidisciplinary platform.

OBJECTIVE

To increase the proportion of innovations per product in order to expand the innovative product portfolio. Pilot project to be commenced in 2019 to measure the percentage share of innovation in each new product. In addition, the number of patents is to be increased and innovation performance reinforced in the long term.

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.

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 PU foam parts.

RECYCLING

There is no problem recycling the steel structure, while the PU foam can also be thermally recycled at the end of the product life. What is more, our “Smart Textile” project is conducting research into recycled textiles (e.g. materials made from recycled PET bottles and imitation 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 exploring 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 ergonomic and comfortable products. Moreover, our headrests are an important safety feature for 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 ideal protection. In addition, our crash-active headrests protect passengers from the risk of whiplash injury. The ergonomic design of our multifunction armrests eases the strain on the spine, shields the driver from 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. Consequently, 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.



GRAMMER European Spine Journal Award: www.grammer.com
 > Products & Markets
 > Ergonomics
 > Ergomechanics



5 EMPLOYEES

5.1 OVERVIEW AND MANAGEMENT APPROACH

Our business success is first and foremost the result of the commitment and dedication of our 5,860 women and 7,089 men around the world (as of December 31, 2018).¹ 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. The department Group Human Resources, which reports directly to the Chief Executive Officer and the Human Resources Director, is responsible for employee development.



Further details on employees can be found in the Management Report on page 66.

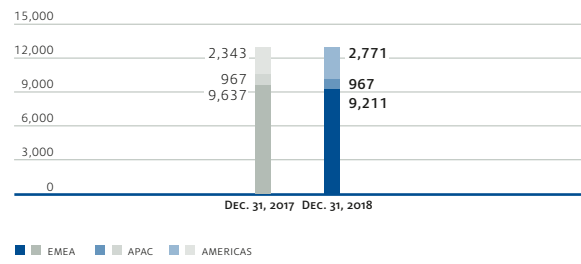
Our human resources strategy for the period through 2022 is a firm part of the GRAMMER Group's strategy. In addition to requirements planning and the further development of the human resources structures, the main focus is on further internationalization, the expansion of conceptual employee development 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
- Occupational 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. All in all, GRAMMER employed 12,949 employees¹ (2017: 12,947).

EMPLOYEES BY REGION¹

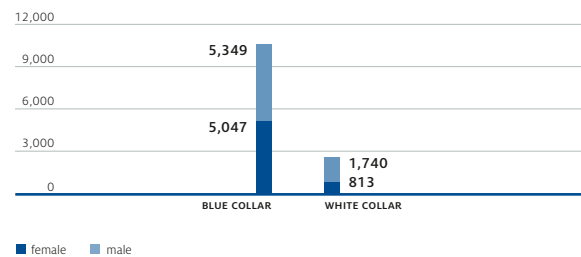
NUMBER



¹ Excluding TMD.

EMPLOYEES BY TYPE OF EMPLOYMENT¹

NUMBER



¹ Excluding TMD.

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.

The survey was conducted in the first half of 2017 in hybrid form (i.e. online and paper) in 13 languages. A very high response rate of 75% was achieved with the online version in particular when we carried out the survey for the first time. A total of 57 questions covered twelve different aspects such as motivation, corporate climate and scope for personal development, eliciting a response on a scale from 1 ("completely agree") to 6 ("completely disagree").

The evaluation of the responses showed that the keen commitment of employees and their customer-centric approach are particular strengths of the GRAMMER organization. The results in these categories are well above benchmark.

Various global, regional and local projects were initiated on the basis of the results of this evaluation with the aim of building on the current strengths and leveraging potential. Our high potentials are integrated on a worldwide basis particularly with a view to enhancing employee-oriented communications and have developed approaches for purposeful and target-oriented local communications across the Group as part of a support program. To this extent, we again improved and expanded our range of global staff development schemes in 2018.

OBJECTIVE

Regular systematic employee surveys as a basis for defining measures. Feedback rate (online and paper) of at least 65%. Local employee-retention programs will be defined and implemented on the basis of the results of the employee survey by 2020.

In order to address the need for ongoing further education even more effectively, we will be adopting a learning management solution in 2019 to provide targeted learning opportunities regardless of the time and place.

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 drive the development of our employees and, in doing so, safeguard organizational skills and efficiency. In addition to this, we create the necessary basis in the form of flexible working time models (including part-time hours), career reintegration and numerous measures for promoting health.

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 encouraging this ongoing form of providing for old age, implementing a company pension scheme in 2018 for employees based at the plants in the Amberg region. The system will be rolled out in due course at the other German sites as well.

5.3 EMPLOYEE DEVELOPMENT

Well-trained employees are of crucial importance for GRAMMER as an innovative company that is heavily engaged in research and development. The greater the proximity of automotive OEMs and their components suppliers in a given region, the stronger the competition is for qualified employees. GRAMMER faces a hotly contested employment market at many of its domestic and international locations.

Effective employer branding is therefore important for GRAMMER. We approach potential candidates at universities, on job platforms and via adverts based on specific job profiles, tasks and responsibilities and encourage them to work for our Company. Looking forward, social media and career networks will be increasingly used to broaden our presence and strengthen our employer branding efforts on the Internet.



Career at GRAMMER:
www.grammer.com
 > Career.

We help employees to plan their careers via internal training programs.



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 measures 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.

In order to fill key positions internally wherever possible and thus contribute to the Company's sustained success, we support managers and employees in their efforts to prepare for a leadership role in their career planning with the help of internal qualification programs. In this context, the career@GRAMMER Corporate Management Program was developed and rolled out worldwide in 2017. It is made up of three modular programs (DRIVE, FAST LANE und TOP GEAR) aimed at strengthening cross-segment 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. In this connection, we offer all pay-scale employees of the GRAMMER Group annual performance assessment talks.

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 of all employees 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. This process was implemented via the SAP system in 2015, thus ensuring that data is automatically available. Designed as a top-down process, it commences with a self-appraisal of top management at the end of the year. This is followed by an assessment by the responsible solid-line and, where applicable, dotted-line manager as well as a personal conversation, the results of which are also included in the evaluation. This procedure provides for a performance assessment based on standardized criteria and also offers the employee concerned an opportunity of contributing feedback.

445 Employees

have already been integrated
in the appraisal process.

OBJECTIVE

Starting in 2018, defined groups of employees will be gradually integrated into the appraisal process and further employee development programs established.

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 in-depth training on the machinery that they are to operate. Dedicated BCD training centers have already been established at various sites for this purpose. The knowledge conveyed and the training plans developed by Corporate Operations include such things as the basics of on-site safety, hygiene rules and production in accordance with LEAN principles.

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 and, as we move forward, will be continuing to enhance this approach.

OBJECTIVE

The onboarding scheme for all employees is to be additionally enhanced.

“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 important to convey a uniform global understanding of products, production activities and processes for all employees. The implementation of a learning management system (LMS) is supporting this from a strategic point of view.

With the LMS, we are pursuing the goal of improving the quality of information sharing and teaching on a sustained basis by implementing e-learning modules. What is more, the heightened flexibility possible in the digital age allows employees to engage in learning outside normal working hours.

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 the sharp growth in the Group's international footprint.

OBJECTIVE

An e-learning strategy is to be developed by 2020, with 75% of the departments to have access to the e-learning platform.

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 successfully made foreign transfers more attractive and are seeking to encourage more employees to accept such assignments.

5.4 OCCUPATIONAL 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.

Plant management at each GRAMMER site is responsible for occupational safety with the support of 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. ISO 45001 came into effect in March 2018 and is being implemented step by step at our facilities.

OBJECTIVE

The occupational health and safety management system certified in accordance with ISO 45001 is to be implemented at all sites by the end of 2019.



Occupational Health and Safety Policy
www.grammer.com
 > Company
 > Sustainability
 > Employees

One particular aspect of this is the workplace design that seeks to minimize the strain on employees as far as possible. This primarily entails minimizing noise and emissions as well as physical strain. With our comprehensive safety measures, we are actively promoting our employees' health and safety. Height-adjustable standard work places are being installed in the assembly areas as a means of additionally improving work place ergonomics.

We have also adopted extensive measures for promoting health and safety. Examples include training and the organization of company sports. As a symbol of our efforts to promote employee health awareness and to encourage fitness, 65 of our employees took part in the company race in Amberg in the year under review. Under the motto "Together we're strong!", GRAMMER entered the third largest team and came first in the team ranking. In accordance with the statutory provisions, GRAMMER has installed an occupational integration management (BEM) system at its German sites. 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 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 flu vaccinations. In order to detect circulatory disorders at an early stage, an additional medical examination of the carotid artery was offered at two of our locations.

The absence rate of all companies (excluding TMD) was 4.67% in the year under review, thus reaching the goal that had been set for this year. Looking forward, we will continue to pursue various measures to keep the absence rate at a low level.

4.67%

Current absence rate

[All companies (excluding TMD) as of December 31, 2018]

OBJECTIVE

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



At the 2018 company race in Amberg, Germany, the GRAMMER team took first place in the team ranking.

GRAMMER presented a check to the voluntary fire brigade in Kümmerbruck, just one of the many winners of the support packages.



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 orientation days, and girls days etc. Site tours and internships are offered at our sites in Germany and also

the Czech Republic. The “Manager for a day” initiative in Bulgaria gave school students an insight into various functions in the Company. Thus, for example, they were able to accompany the plant manager and the quality manager for a day.

In addition, GRAMMER supports student initiatives such as the “Running Snail Racing Team”, a project organized by OTH Amberg-Weiden, in which students independently develop a formula racing car.

As in every year, our employees were able to apply for one of the coveted “support packages” in 2018 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, support packages with a total value of EUR 20,000 were awarded.

Social projects are also supported at international sites. Our site in Atibaia, Brazil, for example is supporting the “For a better planet” project, which organizes theater performances and recycling workshops for children to heighten their environmental awareness through games and to impress on them the importance of preserving the environment.



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