




Sustainability Report 2022




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Title image: Sto's reception and office building in Stühlingen was developed in 2016 as a zero-energy building in line with the passivhaus standard and has been awarded platinum certification from the German Sustainable Building Council (DGNB).
Photo: Martin Baitinger, Böblingen, DE

Photo: Martin Baitinger, Böblingen, DE



The members of the Executive Board of STO Management SE (personally liable partner of Sto SE & Co. KGaA, pictured from left to right)

Michael Keller
Chief Sales Officer, responsible for Sales Sto Brand Germany, Distribution, Marketing Communications, Sustainability, and Central Services.

Rainer Hüttenberger
Spokesman of the Executive Board, responsible for Sales Sto Brand International, Business Field Organisation, Corporate Strategic Development, M&A, and the Business Unit Industry.

Jan Nissen
Chief Technology Officer, responsible for Process Engineering, Innovation, Materials Management, and Logistics.

Rolf Wöhrle
Chief Financial Officer, responsible for Finance, Controlling, Information Technology, Internal Audit, Investor Relations, Legal, and Technical Service.

Foreword

Dear readers,

Over a third of final energy consumption in the EU occurs in buildings. And we have really felt the impact of this on an environmental, economic, and social level over the last few months, due to a number of economic policy decisions that have been made largely in response to the Russia-Ukraine conflict. All this has been a good reminder of the ongoing importance of energy efficiency and energy conservation in all kinds of ways: it's not just about climate and environmental protection, and resource efficiency, but also social justice and, ultimately, self-determination and freedom. The low rate of refurbishment of building stock has been stagnating for years now, meaning energy is being wasted. Investments need to be made in reducing primary and final energy consumption now more than ever – in the interests of lowering costs, saving resources, and protecting the climate. But these measures will only prove to be long-lasting and robust if they are based more strongly on prevention and executed on a larger scale. Everyone has to focus all their efforts on achieving this, as envisaged by the EU Green Deal. This is why we support the European Union's work to better protect the climate and believe that a key sustainability mission in the construction sector is to speed up and expand the conversion of Europe's building stock with the aim of producing stock that is energy-efficient and, ultimately, climate-neutral. These are issues about which Sto has always been vocal and that we ourselves promote with our core business and through various measures within the company. An energy-efficient building envelope is the key to reducing consumption significantly and sustainably – and is thus vital for the transition to renewable energies.

Increasing energy efficiency in buildings lowers consumption, stops consumers falling into cost traps, and enables modern heating systems to deliver their full potential. In our direct sphere of influence we are protecting the climate through, among other things, our energy management systems, which we are continuing to expand worldwide, and by installing photovoltaic systems, converting our fleet of vehicles, and implementing a number of other, sometimes even minor, measures as we make technical improvements. In addition, during 2022 we worked on reducing the environmental footprint of our products themselves, e.g. by replacing fossil raw material sources with renewable ones or by utilising waste products. Besides our commitment to the environmental aspects of sustainability – climate protection, environmental protection, and circular economy – we also focus on the area of governance and social responsibility. Particularly noteworthy here are the implementation of the Act on Corporate Due Diligence Obligations in Supply Chains, for which we conducted a comprehensive degree of maturity analysis in 2022, enhanced management processes for risk analyses, and our global reporting system. This Sustainability Report for the 2022 financial year will tell you all about the other sustainability topics, objectives, and measures we have been pursuing and will continue to pursue going forward.

Stühlingen/Germany, March 2023

01 About the Sto Group

The focus is on:

- A medium-sized, listed family-run company
- Global market leader for external wall insulation systems
- Sustainability firmly anchored in our corporate strategy

EUR **1,787**
million of consolidated turnover

50
operating companies worldwide



Photo: Richard Bryant, London, UK



About the Sto Group

A medium-sized, listed family-run company

Sto is a major international manufacturer of products and systems for building coatings. In accordance with the Sustainable Industry Classification System® (SICS®), the company is to be assigned to the construction materials sector. In the 2022 financial year, Sto generated consolidated turnover of EUR 1,787.4 million and earnings before interest and taxes (EBIT) of EUR 129.7 million with around 5,730 employees (5,735 on 31 December 2022) worldwide. The return on sales calculated on EBT (earnings before tax) was 7.2%.

At the end of 2022, Sto was represented in 37 countries with 50 subsidiaries of its own, as well as their operating sites. Sto SE & Co. KGaA is the parent company of the Sto Group, with its head office based in Stühlingen (Germany). The sole personally liable partner of Sto SE & Co. KGaA is STO Management SE. Sto Management SE acts through its Executive Board as its management body, via which it governs Sto SE & Co. KGaA. 90% of the non-listed limited ordinary shares are held by the Stotmeister family via Stotmeister Beteiligungs GmbH. The remaining 10% are held by Sto SE & Co. KGaA. The limited preference shares are free float shares and are traded on the stock exchange.

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Global Reporting Initiative (GRI) indicators handled in this section:

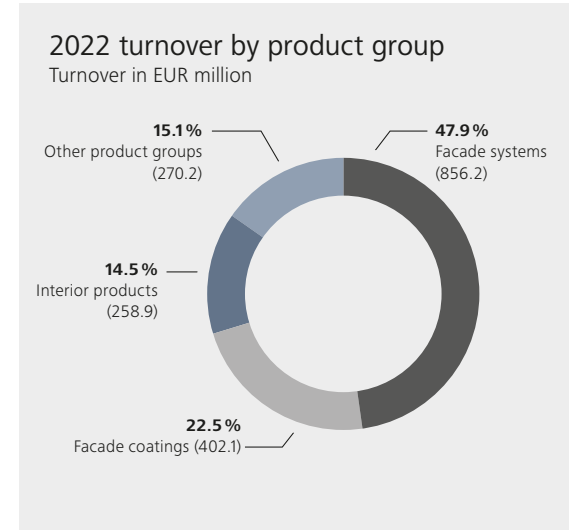
GRI GRI 2-1; 2-9 to 2-11; 2-22; 3-3; 201-2

Photo above and on page 4: Sto's so-called 'K building' in Stühlingen, which was inaugurated in 1997 and celebrated its 25th anniversary in the year under review.

Even back then, 'Building with conscience.' applied to our own buildings too. It was all about using natural resources sparingly, keeping land consumption low via concentrated construction, and combining all that with function and aesthetics.

The ship-like communications building, which was nominated for the Stirling Prize in 1999, has made it into the pages of numerous newspapers and specialist magazines time and time again.

Photo: Richard Bryant, London, UK



A leading position in the core business of facade systems in Europe

The Group's product range is divided into four product groups. The core business of facade systems combines external wall insulation systems (EWIS) – a segment in which Sto is a global market leader – and rainscreen cladding facade systems (RSC). This business segment accounted for 47.9% of consolidated turnover in the year under review.

Render and paint systems for external applications are part of the facade coating product group. In 2022, these accounted for 22.5% of consolidated turnover. The product group of interior products includes, for example, plaster and paint systems for home and office interiors, as well as decorative coatings, interior claddings, and acoustic systems for regulating sound. In the year under review this group made up 14.5% of the turnover. We also produce and sell high-quality floor coatings and products for concrete repair, which are attributed to the category of Other product groups.

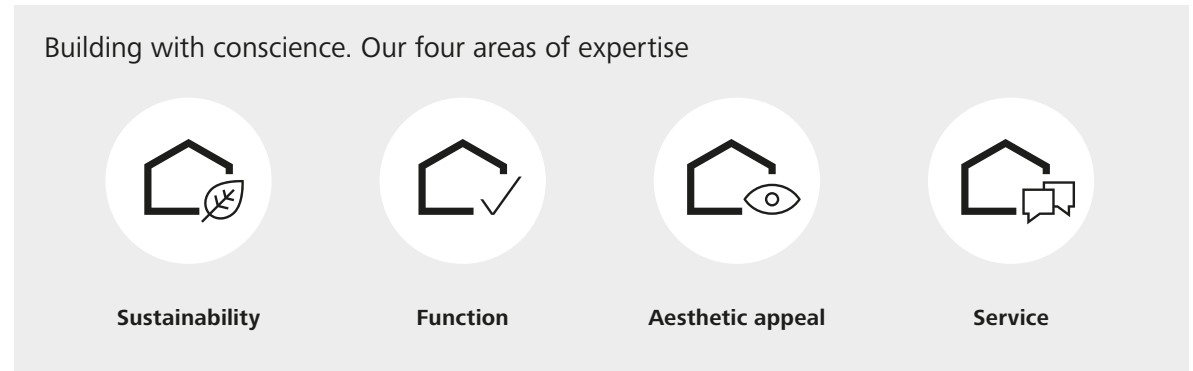
The most important products/materials produced in-house at the Sto Group are coating materials such as renders and paints, as well as adhesive and reinforcing compounds. Some of the expanded polystyrene-based (EPS) insulants are also produced at the locations of Innolation GmbH in Lauingen/Germany and Amilly/France. Our Swedish subsidiary produces special insulants based on EPS. The production of these materials, which are exclusively used for Group-internal supply allows us to strategically develop our technical expertise in this area, and reduce the extent to which we are dependent on suppliers.

Sto products and systems are used around the world both in the construction of new buildings and in the renovation of existing buildings. The comparative importance of these two market segments within the Group varies from region to region and depends on the characteristics specific to each country.



‘The **EU’s climate action targets** played a major role in the development of the Sto strategy for 2025. As a core strategic initiative, we will develop **sustainability into a core area of expertise at Sto.**’

Torsten Duttlinger, Head of Corporate Strategic Development and M&A Sto Group, Sto SE & Co. KGaA, Stühlingen, DE



Sustainability firmly anchored in our corporate strategy

A major part of our business model is the contribution that our products make to climate protection, to conservation of value, to aesthetic appeal, and therefore to sustainability in the construction sector. We have been developing and selling facade insulation systems for more than 55 years now,

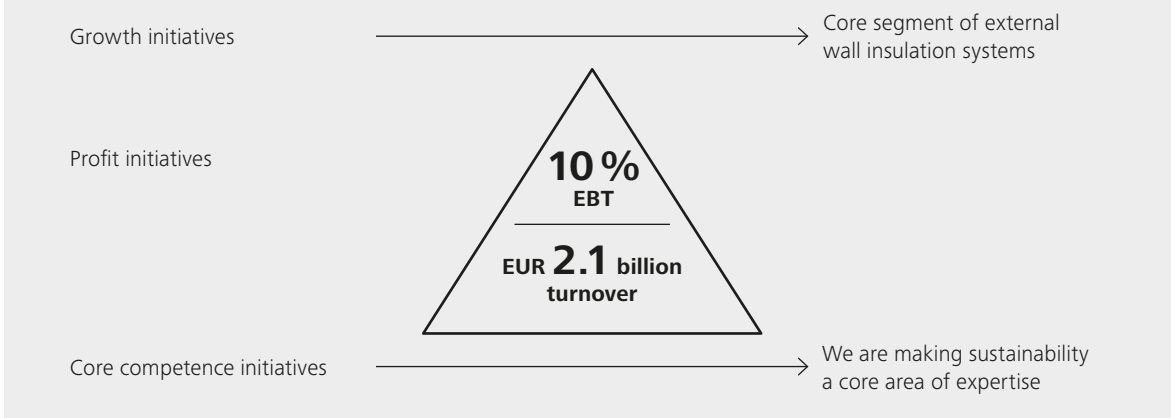
and thanks to their efficient building insulation capacity, we have been able to help achieve significant energy savings through both the refurbishment of existing buildings and the construction of new buildings. This allows Sto products to make a significant, continuous contribution to climate and resource protection. This also improves the living comfort and quality of the relevant buildings.

Furthermore, our high-quality facade and coating systems protect the building fabric, ensuring the conservation of the buildings’ value, longevity, and resource efficiency. When it comes to interiors, our positive contribution primarily lies in health protection and well-being through a wide range of low-emission products and products that are free from harmful substances. We are also addressing new product requirements that arise due to sustainable building concepts. Sto is also focussing its efforts on the circular economy as a strategic area of priority of the product-related sustainability activities. Our focus on energy efficiency, climate and environmental protection, the durability of our products, and the circular economy means that we can benefit from the important megatrends in our industry. Due to its great significance for our business, we have defined sustainability as one of our core competences within the framework of our new corporate strategy and have therefore taken the decision to directly integrate it into the company’s strategic core initiatives. This is another way in which we want to achieve our strategic corporate goals in 2025 (see the diagram opposite).

Brand positioning: ‘For the love of building. Building with conscience.’

We express our brand positioning in two sentences: ‘For the love of building. Building with conscience.’ We communicate this positioning globally, giving us an opportunity to share our stance and that of our target groups on this stage. We are united by the passion and lifeblood for professional working methods and innovative products, solutions, and services for construction. As a company, we focus on sustainability, function, aesthetic appeal, and service in our product and company performance. We believe that for a building to last a long time, it has to be built in the right way: with the right materials, the right partners – and with the future in mind. Together with our customers, we bring projects to life – combining aesthetic appeal, sustainability, and functionality. The Group’s capacity for innovation underpins its corporate success. To secure our position as a technology leader and tap into new growth areas at the same time, we engage in comprehensive research and development activities within the Group. This is one of the cornerstones of our strategy.

The three dimensions of our corporate strategy 2025



The actions we take in this area are also enshrined in our corporate vision: 'Technology leader in the sustainable design of living space tailored to human needs. Worldwide.'

As a producer of building materials, to date we have registered over 200 patents and won numerous innovation prizes.

Our business focus is in Europe

Europe is our most important sales market. We have our own subsidiaries in almost every country in Western Europe and in Northern/Eastern Europe. In the 2022 financial year, these two regions accounted for 78.6% and 10.0% of consolidated turnover respectively. Subsidiaries also operate in North and South America, Asia and the Pacific region (in the context of internal reporting: America/Asia/Pacific), and generated 11.4% of consolidated turnover in the 2022 financial year. In addition, we maintain supply partnerships with distribution partners in many other countries.

Sto products and systems are largely distributed via a direct distribution system with a large number of sales representatives and SalesCentres covering almost the whole of Germany. These products and systems are targeted at professional trade customers, such as painters, plasterers, and building contractors. Architects, planning offices, and the real estate industry are also served directly by the company at a local level. For some years now, this has been supplemented by a multi-stage distribution concept. Via this second distribution channel, we offer selected products that we have clearly defined as distinct from our core business and that have their own brand positioning, such as lacquers and fillers. In the coming years, we intend to expand this sales channel via wholesalers and specialist dealers.

The Sto Group's production network also stretches across the entire globe. At the end of 2022, it included a total of 33 locations, 12 of them in Germany and 21 outside of Germany.



ECOLA is a competition for architecture

ECOLA (European Conference of Leading Architects) is an (almost Europe-wide) architecture prize awarded approximately every three years by Sto and the umbrella association of German plasterers (Bundesverband Ausbau und Fassade). The award has been presented nine times since 2000. Almost all European countries are included. Alongside this competition, ECOLA also holds a conference that brings together the winners, as well as the nominating and evaluating judges. The conference focuses on the historical, present and future significance of render and plaster and its potentials. As part of the programme, the winners have an opportunity to present their projects, and there are lectures and discussions, as well as a practical workshop in which the architects themselves experiment with render and plaster.

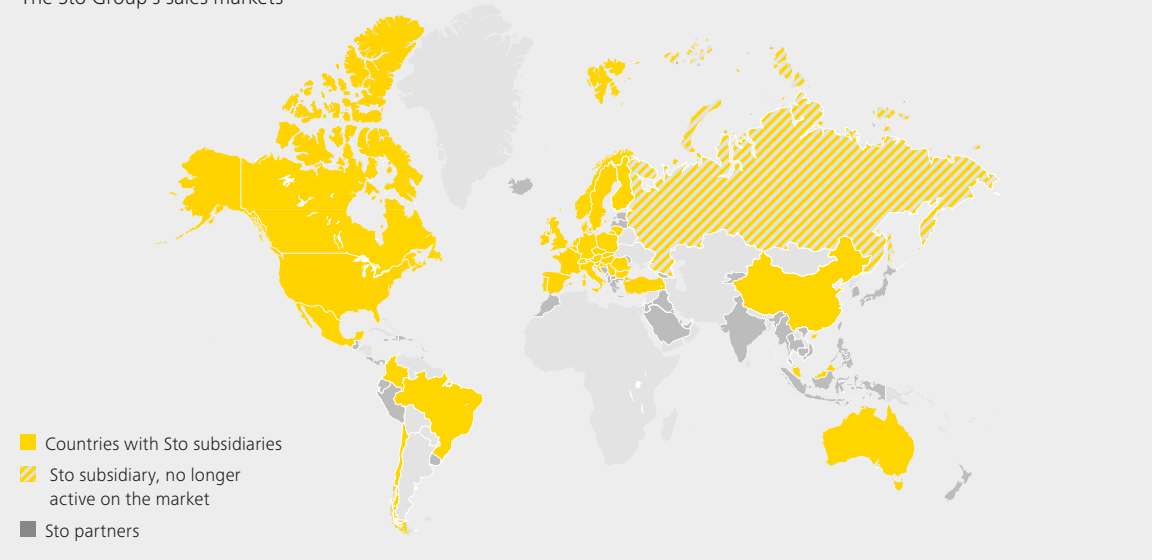
www.ecola-award.eu

www.stuckateur.de

Photo: Moritz Bernouilly, Frankfurt/Main, DE

65 distribution partners worldwide

The Sto Group's sales markets



The most important sales markets and their locations

Sales markets	Countries with Sto subsidiaries
Asia	China, Hong Kong, Malaysia, Singapore
Europe	Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Great Britain, Hungary, Italy, Lithuania, Luxembourg, Netherlands, Norway, Poland, Russia ¹⁾ , Slovakia, Spain, Sweden, Switzerland, Turkey
North America	Canada, Mexico, USA
Pacific	Australia
South America	Brazil, Chile, Columbia

¹⁾ Up until sales activities were stopped during the 2022 financial year

02

The Sto Group's sustainability strategy



The focus is on:

- Sustainability strategy until 2025
- Corporate and product objectives
- Measurability of our sustainability activities
- Materiality assessment

Photo: Martin Baitinger, Böblingen, DE



The Sto Group's sustainability strategy

Our vision, mission, and sustainability goals

The Sto business model is oriented towards long-term success. We are convinced that the essential foundations for this are solid, sustainable business management, constant progress, and a strong financial footing. We pursue the goal of being the global technology leader in the sustainable design of living space tailored to human needs. We achieve this corporate vision by realising our mission of 'Building with conscience.', which we have been pursuing since 1988. Our vision, along with the other principles on which our practice is based, is defined in the Sto Guiding Principles, providing all employees and managers with guidance when making strategic and operational decisions. As part of our 2025 strategy, which we began to implement in 2021, we have defined sustainability as one of our core competences. Adopting a sustainable approach to business activities is one of the keys to achieving long-term success. This applies especially in an increasingly complex world, in which ecological and social concerns – apart from the classic economic challenges – are becoming ever more relevant. As a result, both the risks and the opportunities are becoming more diverse. Appropriate instruments that encompass a coherent sustainability strategy are required for managing these challenges consistently and successfully. In this way, we combine the aim of creating a sound basis for continuous, income-oriented growth with making a social contribution. To support this, we operate an integrated management system in accordance with the relevant ISO regulations for quality, environment, energy, safety, and health. This allows

us to create the conditions for the implementation of key sustainability aspects within the company. Environmental impact and energy efficiency in the product life cycle are taken into account as early as when developing new products and the subsequent production and sales processes. The impact of existing products on our environment is tested, and certified or made transparent through eco-labels and Environmental Product Declarations (EPDs).

Activities of individual subsidiaries

To be able to respond more closely to specific market requirements and the interests of regional stakeholders, individual Sto companies also produce their own sustainability reports with a regional focus. Our Austrian company Sto Ges.m.b.H. reports on its sustainability activities every three years and in 2021 produced its third comprehensive Sustainability Report in line with Global Reporting Initiative guidelines (GRI-4 core and extended requirements). Since 2019, our Scandinavian subsidiary Sto Scandinavia AB has produced an annual Sustainability Report, which presents information on the main sustainability activities in Norway, Sweden, Finland, and Denmark. In 2022, our Italian subsidiary Sto Italia prepared its own Sustainability Report for the second time, which is also based on the GRI standard. What's more, based on a media survey that evaluated 1,500 Sustainability Reports, the Italian company has been awarded the title of 'Sustainability Leader 2022'. At the end of 2021, Innolution S.A.S. in France carried out a sustainability audit based on ISO 26000. A certificate from the French standardisation body AFNOR attests to

Innolution S.A.S.'s contribution to sustainable development in accordance with ISO 26000.

Sustainability strategy underpinned by tangible action

In 2020, we undertook a comprehensive revision of our sustainability strategy as part of a Group-wide strategy review. In addition to identifying material topics and fields of action, this also particularly focused on setting sustainability targets for the Sto Group to achieve by 2025. These targets were adopted by the Executive Board of STO Management SE in 2021 as part of the Strategy 2025 with a corresponding package of measures and budget plans, and implemented further in 2022.

In principle, our sustainability strategy adopts a holistic approach, summarised by the maxim 'Product, People, Planet'. This expresses the idea that our goals and actions extend to every area within the company's sphere of influence and are being implemented at every value-added step: from product development, procurement, production, sales, marketing, HR, and communications, right through to waste disposal and recycling as part of the circular economy.

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GRI indicators handled in this section:

 **GRI 2-9; 2-12; 2-17 to 2-19; 2-28; 2-29; 3-1; 3-2; 3-3; 201-2**

Photo above and on page 8: Sto's reception and office building, plus the building housing the JIT facilities (on the right), in Stühlingen.

Photo: Martin Baitinger, Böblingen, DE



Materiality assessment as the basis for our sustainability programme

Determining and evaluating the impact on the economy, the environment, and society

As part of our materiality assessment, we have assessed the impact of our business activities and relationships in terms of the positive and negative consequences they may have for the economy, the environment, and people, as well

as for our company itself. We are therefore setting ourselves the task of re-evaluating our contribution to sustainable development, including against the backdrop of the current social debate and the increasing regulation resulting from the EU Green Deal.

We have anchored central aspects of sustainability and corporate social responsibility in our Guiding Principles since the company was founded. An essential part of our business model involves products that, among other things, reduce

energy consumption and greenhouse gas emissions in the construction sector. This contribution to climate protection puts us at the cutting edge in this area. At the same time, the range of sustainability issues has increased significantly in recent years. To determine and evaluate this impact, we have now readjusted our activities, and in 2020 we conducted a comprehensive materiality assessment with the support of external consultants.

In 2021, we further developed our sustainability strategy on the basis of these results and integrated it into our business strategy as one of four building blocks. The STO Management SE Executive Board was supported in this process by managers from all the departments concerned.

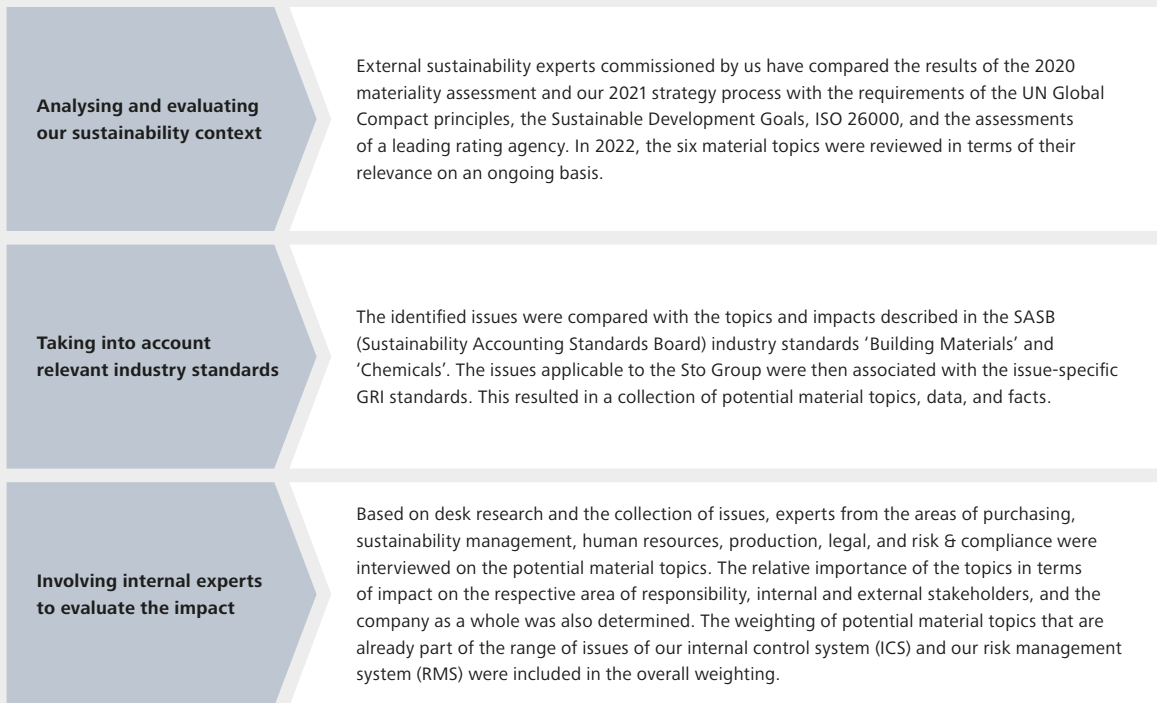
Implementing the sustainability strategy

Following the identification of our material topics, we have aligned our sustainability actions with the United Nations' SDGs **page 12, box on SDGs**. To this end, we have focused in particular on the strategic expectations, risks, and indicators associated with the material topics. As a result, we have identified six goals that are linked to our company's sustainability goals and ambitions, and where we can achieve the greatest impact:






- Climate protection
- Environmental protection
- Circular economy
- Health and well-being
- Transparency and social responsibility
- Employees

Derived from our general objective and based on the material topics we defined in a materiality assessment, we distinguish between a product-related and a company-related perspective in the measures to implement our sustainability goals by 2025:

How we determined our material topics



In total, we identified 15 material topics (see page 11), assessed them, and reviewed them with the Management Board and the product sustainability committee, before presenting them to the STO Management SE Executive Board. These topics are the basis for the Sustainability Report 2022 and reflect the focus and goals of our sustainability management.

Climate protection 	Environmental protection 	Circular economy 	Health and well-being 	Transparency and social responsibility 	Employees 
Material topics					
<ul style="list-style-type: none"> Economic performance and climate change Fossil fuels and renewable energy sources Reduction of emissions 	<ul style="list-style-type: none"> Waste avoidance Material use and innovation Environmental management 	<ul style="list-style-type: none"> Product recyclability Long useful life 	<ul style="list-style-type: none"> Occupational health and safety Products that are not harmful to health 	<ul style="list-style-type: none"> Governance and compliance Product ownership and marking Commitment to social issues 	<ul style="list-style-type: none"> Diversity and equal opportunities Qualifications and development
General objectives					
<ul style="list-style-type: none"> Increasing our energy efficiency Constantly reducing our carbon footprint Achieving climate neutrality 	<ul style="list-style-type: none"> Avoiding negative impacts on the environment Using finite resources sparingly Preserving biodiversity 	<ul style="list-style-type: none"> Recycling products and packaging Reusing raw materials Long useful product life and waste avoidance 	<ul style="list-style-type: none"> Protecting health Enhancing well-being 	<ul style="list-style-type: none"> Upholding and protecting human rights Ensuring compliance and fairness Providing comprehensive information to stakeholders Supporting those in need 	<ul style="list-style-type: none"> Increasing our attractiveness as an employer Promoting work-life balance Vocational training rate above the average for the chemical industry in Germany
Corporate objectives					
<ul style="list-style-type: none"> 100% climate neutrality (without compensation measures from 2040) CO₂ balance sheets for all Sto companies (by 2024) Reducing offsetting (by 5% p.a. from 2025) Key investment decisions take CO₂ into consideration Introducing energy management systems (based on ISO 50001) in all countries with production facilities 	<ul style="list-style-type: none"> Reducing waste from our own production facilities (by 5% per year relative to total tonnage) ISO 14001-certified environmental management systems at all production sites by 2025 Certifying at least 50% of all suppliers in accordance with ISO 14001 or EMAS 	<ul style="list-style-type: none"> Encouraging recycling and the avoidance of waste Proactive and early implementation of forthcoming legislation relating to waste disposal 	<ul style="list-style-type: none"> The highest occupational safety and no serious injuries at our own production facilities Promoting the health of our employees through a variety of measures 	<ul style="list-style-type: none"> 100% recognition/sign-off from all relevant suppliers of the Supplier Code of Conduct and risk assessment of these (Tier 1 and relevance) No convictions related to compliance 	<ul style="list-style-type: none"> Reconciling work and family life Diversity and equal opportunities 20% of management positions filled by women Equal pay for equal work Increasing spending on employee skills, training, knowledge transfer by 60% (compared to 2019)
Product objectives					
<ul style="list-style-type: none"> 75% of all Sto products sold (measured by turnover) contribute to reducing CO₂ in the construction sector Continuously determining and reducing the carbon footprint of our products 	<ul style="list-style-type: none"> Achieving 'zero landfill' by 2030 (in relation to packaging, product, and construction-site residues) Reducing hazardous materials and harmful substances in our products 	<ul style="list-style-type: none"> Optimising the recyclability of our packaging, material residues, construction-site waste, and dismantled materials At least 20% of our products are certified as recyclable 	<ul style="list-style-type: none"> Emission tests for 100% of our interior products Avoiding or reducing the use of substances harmful to health 	<ul style="list-style-type: none"> 100% of our products have at least one eco-label (Environmental Product Declaration, Sustainability Data Sheet) Sourcing our raw materials from certified responsible sources 	<p>–</p>

Active contribution to the United Nations' Sustainable Development Goals

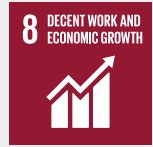
We align our sustainability activities with the United Nations' 17 Sustainable Development Goals (SDGs) adopted in 2015. In this way we want to show our contribution to sustainable development for society as a whole and prioritise our own fields of action. Of these 17 goals, we feel we can make the greatest contribution to the following issues:



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



Make cities and human settlements inclusive, safe, resilient, and sustainable.



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



Ensure sustainable consumption and production patterns.



Build resilient infrastructure, promote inclusive and sustainable industrialisation, and foster innovation.



Take urgent action to combat climate change and its impacts.

A sustainability strategy integrated into our management structure

At Sto, overall responsibility for the sustainability strategy and its implementation and monitoring lies with the Executive Board of STO Management SE, which ensures that it is integrated into the existing management structure. Through regular discussions with the Head of Sustainability, dialogue with experts within the company, and external stakeholders, as well as reading specialist literature, the Executive Board continuously expands its knowledge, skills, and experience for the further development of the company on the topic of sustainability.

The area of sustainability, which was established at Group level in 2012, reports directly to the Executive Board of STO Management SE. In addition, a 'Sustainability Board for Sto Products' was established in 2021, covering all European markets and business fields, and providing input and feedback on product-related topics and trends on a quarterly basis.

This exchange forms the basis for strategic, product-related measures in the corresponding areas, especially in the area of sustainability and in product management. The area of research and development is also of great importance to us. Globally, around 180 employees work for Sto in this strategically relevant area.

Due to its legal form, Sto SE & Co. KGaA does not have an Executive Board. Its business is conducted by the personally liable partner STO Management SE, which receives an expense allowance from Sto SE & Co. KGaA in accordance with the legal requirements of the German Stock Corporation Act. Part of this expense allowance includes the remuneration of the members of the Executive Board of STO Management SE, whose remuneration consists of a fixed and a variable component, but no component aimed at achieving specific sustainability goals. As we see sustainability as one of our core areas of expertise, and one of the key points of our product portfolio is climate protection solutions, the Sto Group's corporate success is already significantly linked to achieving sustainability goals. As we already have fair and market-oriented remuneration in place at all levels of the Sto Group, we do not produce an additional sustainability-related performance evaluation and remuneration policy.

Integrated management system

Our actions are based on a comprehensive, integrated management system for quality, environment, energy, safety, and health. This applies to the entire group and is based on legal framework requirements, as well as internal guidelines and procedural instructions. Beyond the mere fulfilment of regulatory requirements, we support the continuous improvement of our sustainability performance. Our quality management system is aligned with ISO 9001, the environmental management system with ISO 14001, and the energy management system with ISO 50001. We are committed to basing our occupational safety management on the ISO 45001 standards. All suppliers and contractors are informed about our integrated management system, which we also use to derive strategic and operational goals to ensure the continuous improvement process and provide the necessary information and resources to set, implement, and review our targets. We measure the results with KPIs (key performance indicators), which form the basis for our reporting. We determine and evaluate both the internal and external requirements of our stakeholders, derive goals and actions in doing so, and commit ourselves to fulfilling them. To broaden the awareness of our employees and managers with regard to these guidelines, we provide them with regular training and communicate our targets to both our own employees and all those working on our behalf. We review and evaluate our guidelines and all management activities derived from these on a regular basis and adapt them to changing general conditions as necessary. As part of the operational implementation, we take into account the risks and opportunities in our business processes.

Internal audits are conducted to periodically check that the management system is complete, effective, and fit for purpose. Internal audits assess the extent to which the description of the system meets the requirements of the relevant ISO regulations and the binding guidelines of the integrated management system. Their second main objective is to uncover opportunities for improvement and implement them as part of a continuous process. If weaknesses or deviations are discovered, they are recorded, their causes determined, and corrective and preventive measures initiated. The effectiveness of corrective and preventive actions is monitored. The management representative is mandated by the company management to plan, arrange, and conduct audits for the assessment and further development of the system, or to supervise their implementation. It is also their task to initiate and monitor any corrective and preventive measures that may result from the audits. They regularly report to management on the results of the internal audits carried out. The implementation of the sustainability strategy is supported by the close monitoring and tracking of key measures and projects by the strategic project management office. Larger projects have also been combined in a strategic programme in order to exploit synergies in implementation and at the same time underline overall strategic relevance. The operational implementation of the individual measures and projects is coordinated by the organisational unit 'Sustainability', which is responsible for the topic area as a whole and takes direct action in the respective functional areas.

Further optimising CSR processes by introducing new data management software

Since 2010, we have been conducting an annual survey in all Sto companies on selected CSR topics. Combined with appropriate training, the clear allocation of responsibilities and accountabilities within a company, and the definition of relevant data and information, this process includes reporting on individual CSR matters as well as compliance with social standards such as:

- Prohibition of child and forced labour,
- Equal treatment of men and women,
- Measures for occupational safety,
- Environmental and resource protection issues, charitable donations,
- Social commitment, and
- Rules to avoid corruption and violations of the law.

If standards are not complied with and deviations are reported, the measures to be taken are to be described. We record this information centrally and then evaluate it. Based on six key priority areas that we have defined as part of our sustainability strategy review, our 2021 questionnaire has been revised and integrated into a new software solution for data management. Using the database reporting system for sustainability and CSR in the Sto Group, we optimise the timely recording, evaluation, and reporting of relevant measures, key figures, and data. In the 2022 financial year, we have determined and evaluated non-financial key figures for the Sto Group

relating to our activities in the six key areas of our sustainability strategy: climate protection (energy and CO₂), environmental protection (waste, harmful substances, water), circular economy (disposal, recycling), health and well-being (health protection, emissions), social responsibility (sustainability in the supply chain, compliance, charitable donations), and employees (diversity and equal opportunities, and qualifications and development). At the moment it is still proving a challenge to collect and evaluate non-financial key figures promptly for the past financial year, since various sources need to be included, some of which are external. During the first quarter of 2023, it has therefore not been possible to analyse Sto Group data from 2022 for all topics or to prepare such data for this report.

An open dialogue with our stakeholders

Sto's ambition is continuous improvement. To do this, it is important to carefully observe what motivates the actors in our environment (our stakeholders). And as a result, we are striving for a continuous dialogue with them. This will allow us to respond to future trends and global developments or changing market requirements. Important fields of communication include:

- holding our own forum events with architects, planners, tradespeople, and energy consultants,
- events with and provided by market partner and associations, as well as webinars, seminars, and conferences.

Based on an analysis we conducted in 2017, we identified the following as relevant stakeholder groups for Sto: shareholders, authorities/state, customers/consumers, service providers/suppliers, society/the public, representatives (e.g. NGOs, associations), employees, press/media, and the competition. The 'Stakeholder Analysis – Sustainability Check' process involves determining and documenting stakeholders' requirements and deriving obligations. [page 15 Stakeholder engagement](#)

Association work: interest in dialogue and transparency

- The company represents its interests in Berlin, both directly through the Public Affairs/Associations position created in 2017 and indirectly through its association memberships, on company-specific and political topics, e.g. climate protection or the energy-efficient building envelope. We are also a member of the German Sustainable Building Council (DGNB e.V.).
- We advocate transparency through dialogue with stakeholders from politics, society, and associations, and welcome the resolution of the Lobby Transparency Act by the German government parliamentary groups.

In the 2022 financial year, we have further developed the process of materiality assessment and stakeholder engagement, as well as impact assessments, including in relation to the future CSRD disclosure rules:

- We are reviewing the list of material topics. In addition to document analysis, external stakeholders are to be more directly involved in this review process.
- For an even more robust impact assessment, we are also planning to integrate further sustainability and ESG issues, based on the European Sustainability Reporting Standards (ESRS), into our risk management system.

With these two further developments, we aim to identify new and emerging sustainability issues for us and our stakeholders as early and comprehensively as possible, and to define material topics that will be given high priority in our business strategy and sustainability reporting in the future. It is crucial to us that the sustainability information we provide also makes future financial risks and opportunities for our company visible at an early stage.

Association activities are geared towards corporate priorities

- Through its memberships, Sto SE & Co. KGaA takes an interest in early information on company-relevant topics, as well as the development of position papers and technical data sheets for the industry sector; always in compliance with anti-trust law regulations. Sto takes an active role in this; for example, by taking on the leadership of working groups. The association's activities are geared to the main focus of the company – as a major manufacturer of products and systems for building coatings, we are a leader in the business field of external wall insulation systems. Sto's core product range also includes high-quality facade elements, as well as renders, plasters, and paints for both building exteriors and interiors. Another focus is placed on concrete repair, floor coatings, acoustics, and rainscreen cladding systems.

Activities in associations

Association	Topic/Sto involvement	Association	Topic/Sto involvement
BuVEG – Bundesverband energieeffiziente Gebäudehülle e.V.	<ul style="list-style-type: none"> ▪ Member of the Board ▪ Participation in the public affairs committee ▪ Setting topics ▪ Initiating public affairs activities 	Deutsche Bauchemie e.V.	<ul style="list-style-type: none"> ▪ Exchange of information and coordination on topics concerning the manufacture of construction chemical products in various working groups
Deneff – Deutsche Unternehmensinitiative Energieeffizienz e.V.	<ul style="list-style-type: none"> ▪ Coordination and organisation of public affairs measures around the topic of energy efficiency in the building envelope (e.g. renovation drives) 	VDPM – Verband für Dämmsysteme, Putz und Mörtel e.V.	<ul style="list-style-type: none"> ▪ Member of the Board ▪ Collaboration in various working groups, e.g. on recycling, paste-form renders and plasters, mineral mortars, insulation systems, building law, and environmental and hazardous materials management
VCI – Verband der Chemischen Industrie e.V.	<ul style="list-style-type: none"> ▪ Political committee in Berlin and Brussels ▪ Exchange of information and coordination on topics concerning the chemical industry 	EAE – European Association for ETICS sowie EMO – European Mortar Industry Organisation	<ul style="list-style-type: none"> ▪ Member of the Board and in working groups ▪ Setting topics ▪ Public affairs measures
VdL – Verband der deutschen Lack- und Druckfarbenindustrie e.V.	<ul style="list-style-type: none"> ▪ Member of the Steering Committee ▪ Green Deal advisory board ▪ Various working groups; collaboration and contribution of expertise on topics relating to the EU chemicals strategy, recycling, etc. 	Fachverband vorgehängte hinterlüftete Fassade (FVHF)	<ul style="list-style-type: none"> ▪ Member of the Board ▪ Setting topics ▪ Active collaboration in several project groups (e.g. BIPV, fire protection, corrosion of building elements)

Stakeholder engagement

Stakeholder groups	Engagement examples	The most important issues	Stakeholder groups	Engagement examples	The most important issues
Shareholders, external creditors	<ul style="list-style-type: none"> Annual General Meeting Discussions with rating agencies, equity investors, and external creditors Regular CSR and sustainability reports in accordance with international standards (alignment with SDGs and GRI index tables) 	<ul style="list-style-type: none"> Attractive dividend policies and development Strategic growth ESG ratings Compliance and minimising investment risk Low reputational risk and positive corporate image Current business development and outlook 	Society/the public	<ul style="list-style-type: none"> Communication and transparency concerning corporate activities, as well as products and their impact (energy consumption, carbon footprint, environmental compatibility, human well-being/ healthy living spaces) through the website Participation in (local) events Presentations Social media Whistleblower platform European architecture competition ECOLA for construction projects involving render and plaster, awarded by the Federal Association for Finishing and Facades in the Umbrella Association of the German Building Industry (Bundesverband Ausbau Fassade im Zentralverband des Deutschen Baugewerbes) and Sto Guided tours of the Sto Info Factory 	<ul style="list-style-type: none"> Responsible conduct from the company Building products that do not harm people or the environment Climate protection Aesthetic and energy-efficient buildings Structural and transport safety Local engagement Community Sustainability
Authorities/state	<ul style="list-style-type: none"> Dialogue with the authorities Audits Disclosure/transparency through our Annual Report and Sustainability Report Proactive compliance with requirements/guidelines/laws, e.g. REACH, CSR-RUG, Act on Corporate Due Diligence Obligations in Supply Chains 	<ul style="list-style-type: none"> Efficient use of resources; water management Climate change Liability in tax matters Structural, occupational, and transport safety 	Representatives	<ul style="list-style-type: none"> Activities within various associations and initiatives for sustainable construction Event participation Direct exchange/dialogue Communication/discussions surrounding product sustainability (further development of products in terms of environmental compatibility, freedom from harmful substances, recyclability, etc.) Member of the UN Global Compact 	<ul style="list-style-type: none"> Environmental efficiency Climate and environment Responsible corporate governance and upholding human rights
Customers/consumers	<ul style="list-style-type: none"> Training and customer seminars Customer relationship management Customer satisfaction surveys Dialogue with architects, planners, real-estate investors Simple, comprehensible communication materials, some of which are prepared according to specialist topics (online: website, newsletter; offline: customer magazines such as StoProfi Info (for tradespeople), StoReport (customer magazine for the prefabricated timber construction industry), global architecture magazine Ark WE (customer magazine for the housing industry), brochures, etc.) Specific product information (sustainability data sheets, EPDs, eco-labels, product brochures, and benefits argumentation) 	<ul style="list-style-type: none"> Quality assurance Delivery and pricing policies Product innovations, sustainable products Cooperation 	Employees	<ul style="list-style-type: none"> Training and awareness surrounding the issue of sustainability StoInside intranet StoMagazine for staff Team meetings and annual dialogue meetings Whistleblower platform Promoting health through Fit@Sto 	<ul style="list-style-type: none"> Training and further education Leadership qualities Work-life balance Structural, occupational, and transport safety Diversity, equal opportunities, non-discrimination Economically sustainable and socially oriented management of the company
Service providers/suppliers	<ul style="list-style-type: none"> Workshops and seminars Supplier surveys and evaluations Use of and awareness of supplier platforms Close and regular exchange concerning the supplier code of conduct 	<ul style="list-style-type: none"> Quality, dependability, and contractual performance Health and safety Climate and environment Responsible corporate governance and upholding human rights 	Press/media	<ul style="list-style-type: none"> Press release distribution Press releases on the website Open social media channels Press conferences Presence at trade fairs and construction press events Welcoming journalists from the daily press and trade press to the Sto Info Factory for background discussions Press visits 	<ul style="list-style-type: none"> Providing information Transparency, openness Product innovations Business development

Regulatory requirements as an important driver for business development

The regulatory environment, especially with regard to climate protection, has continuously evolved in recent years. Thanks to its sustainability-oriented product portfolio, this opens up considerable opportunities for Sto.

Accordingly, it is important to keep abreast of changes in the regulatory environment and their impact on the company. The EU's Green Deal is particularly significant in this context. With this package of measures for ecological change, Europe is set to become climate-neutral by 2050. The EU Green Deal includes initiatives in the areas of clean energy, buildings and renovation, sustainable industry and mobility, biodiversity, de-pollution, and a sustainable food chain.

EU Green Deal: renovation rate to be at least doubled

In 2021, the EU Commission took the first step on the road to climate neutrality: the reduction of CO₂ emissions by 55% by 2030 (compared to 1990). The measures on how to achieve this target of a 55% reduction are described in the 'Fit for 55' package.

For us, the EU's plans are particularly relevant when it comes to the targeted energy refurbishment of homes and buildings, including public buildings. The EU Commission has already published its 2020 strategy for a 'Renovation Wave' to improve the energy efficiency of buildings in Europe. This sets out that the renovation rate is to be at least doubled in the next

ten years. Buildings account for approximately 40% of energy consumption and 36% of greenhouse gas emissions in the EU. The EU's aim is to reduce greenhouse gas emissions from buildings by 60%, their energy consumption by 14%, and energy use for heating and cooling by 18%. For Sto, this will mean considerable additional potential for sales, especially in the area of facade systems and coatings. You can find more details about this in section 3, [page 18](#).

The EU Green Deal is also linked to the EU's action plan for the circular economy, which focuses on waste avoidance and management. On 10 February 2021, the European Parliament adopted a resolution calling for tougher recycling targets and binding reduction targets in the use and consumption of materials by 2030. 'Buildings and construction' is one of the seven crucial sectors the EU considers to be essential for achieving a circular economy. Here, too, we see a close connection to our products and business activities and derive corresponding measures (see also section 4, [page 34](#) and section 5, [page 42](#)).

The EU Taxonomy Regulation will further strengthen the trend towards sustainability

The EU adopted the Taxonomy Regulation in 2020. It contains the criteria for determining whether an economic activity can be classified as eco-friendly (taxonomy). Companies that are obliged to provide non-financial reporting must in future include in their non-financial statements information on the proportion of their sales revenues, capital expenditure (CapEx), and, where applicable, operating expenses that are associated

with environmentally sustainable economic activities. By encouraging private investment in green and sustainable projects in this way, the Taxonomy Regulation is expected to contribute to the EU Green Deal and should provide additional impetus to companies with sustainable business approaches. For the 2022 financial year, we have determined that 49.8% of our turnover involves activities that are Taxonomy-eligible in relation to the climate change mitigation and climate change adaptation goals. Our CapEx was 40.9% and our OpEx 31.3% (for more information on EU Taxonomy, see section 3, [page 28](#)).

In addition, the European Commission published a proposal for a Corporate Sustainability Reporting Directive (CSRD) in April 2021, which is to replace the Non-Financial Reporting Directive (NFRD) currently in force. The CSRD aims to

significantly expand the group of companies subject to the disclosure rule – irrespective of capital market orientation, companies with 250 or more employees will be subject to the disclosure rule from the 2025 financial year onwards. The CSRD will introduce binding European reporting standards yet to be developed. In addition, sustainability reports must be independently audited and published as part of the Management report. The disclosure rule will apply to Sto for the first time in the 2024 financial year.

In addition to a better comparability of sustainability reporting, the EU expects the CSRD – working together with the EU Taxonomy Regulation – to provide more reliable and relevant information, and to put an end to the greenwashing of sustainability information we are frequently seeing.



'In 2009, Sto joined the UN Global Compact to express our commitment to the environment and society. In 2020, we revised our sustainability strategy, taking into account the 17 SDGs and the EU Green Deal. The current implementation of the strategy, which is set to be effective in the long term, makes it clear that Sto is actively contributing to and taking responsibility for many UN and EU goals. This is very gratifying and spurs us on to anchor sustainability even more firmly in the entire Group.'

Dr Eike Messow, Head of Sustainability at the Sto Group, Sto SE & Co. KGaA, Stühlingen, DE

We have been preparing for the new sustainability reporting requirements for some time. In addition to the non-financial statement that Sto has already been issuing since 2010 as part of its Annual Report, we also published a separate Sustainability Report for the first time for 2021. We want to use it as an opportunity to report in even more detail and in a more targeted manner on the sustainability aspects relevant to the company. Specifically, for Sto the CSRD means the mandatory inclusion of the non-financial report in the Management report, and a mandatory report audit. This report is therefore also useful preparation and a basis for complying with future disclosure rules.

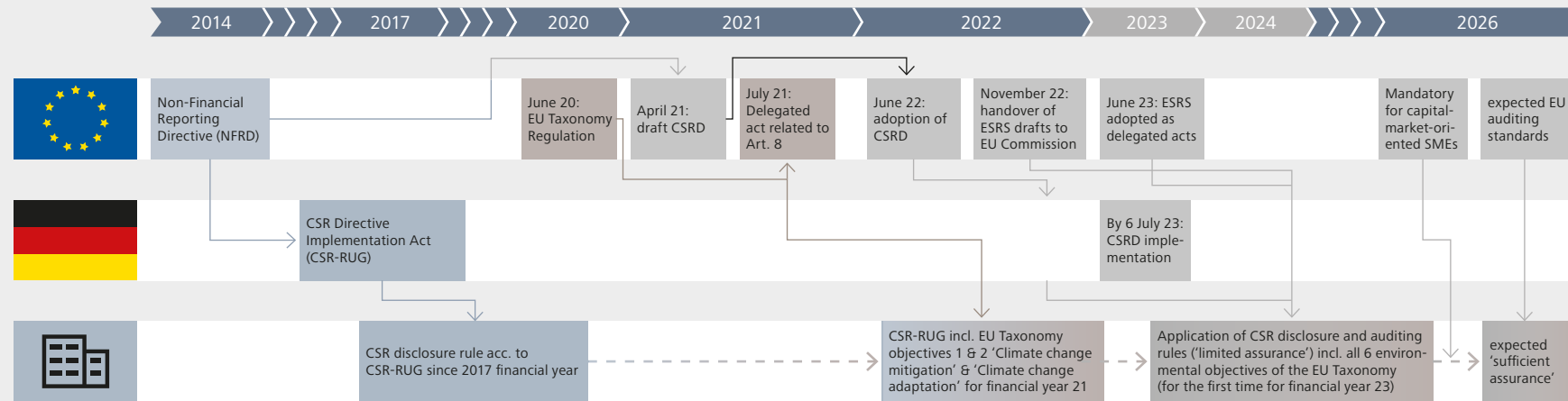
Bringing the supply chain into even clearer focus

In June 2021, the German Bundestag (Federal Parliament) passed the Act on Corporate Due Diligence Obligations in Supply Chains **Act on Corporate Due Diligence Obligations in Supply Chains**. This law came into force on 1 January 2023 and aims to ensure that companies better fulfil their global responsibility to respect human rights and environmental standards. Legislators intend for this responsibility to extend to the entire supply chain, i.e. not only individual business operations, but also those of businesses' suppliers.

Regardless of the legal form, the law applies to all larger companies with their registered office in Germany (from 2023: for companies with more than 3,000 employees in Germany; from 2024: for companies with more than 1,000 employees in Germany). At a European level, a similar initiative has been launched and the draft of a 'Directive on Corporate Sustainability Due Diligence' was presented to the EU Commission in 2022, but its implementation is likely to take some time.

Sto performed a detailed analysis of the degree of maturity to determine the impact of the Act on Corporate Due Diligence Obligations in Supply Chains on its business activities in 2022. You can find more details about this in section 7, [page 58](#).

Implementation plan for the Corporate Sustainability Reporting Directive (CSRD) from the EU Commission



The EU Commission presented a draft Corporate Sustainability Reporting Directive (CSRD) in April 2021. The new CSRD Directive is a revision of the existing Non-Financial Reporting Directive (NFRD). The user groups for both directives is also affected by the disclosure rules of the EU Taxonomy Regulation.

03

Climate protection



The focus is on:

- Increasing our energy efficiency
- Constantly reducing our carbon footprint
- Achieving climate neutrality

By **2024**

CO₂ balance sheets will be available for all subsidiaries

From **2025**

we will avoid 5% of our CO₂ emissions each year



Climate protection

What climate protection means to us

Climate protection is one of the greatest challenges of our time. Climate change mitigation and adaptation are listed as the 13th UN Sustainable Development Goal (SDG) and are an integral part of the EU Taxonomy Regulation. The UN Climate Conferences, the German government’s climate package, the EU Green Deal, and the Fridays for Future movement demonstrate that the issue of climate protection, which has always been a focal point of our activities, has become a central concern of society and a dominant topic in national and international politics.

When it comes to climate protection, our first priority is the building sector, which is responsible for a significant share of greenhouse gas emissions and thus contributes significantly to climate change. In Germany, the construction sector accounts for around 35% of total energy consumption and about 30% of CO₂ emissions. In Europe, it is responsible for around 40% of energy consumption and about 35% of CO₂ emissions. Accordingly, legislators in Germany are setting increasingly strict energy efficiency standards and promoting their implementation with the use of public funds. With the European Green Deal initiated in 2019, the EU is also providing member states with a major funding programme for energy refurbishment and climate protection in the construction sector. Widespread retrofitting of building envelopes is intended to make a decisive contribution to reducing energy consumption and CO₂ emissions.

Climate protection only works when there are fewer greenhouse gas emissions

While 210 million tonnes of CO₂ were still produced in Germany in 1990 for the generation of heat and cooling in the construction sector, emissions could already be reduced by 43% to around 120 million tonnes of CO₂ by 2020 – for example, through appropriate heat insulation regulations, energy-efficient technologies, and the use of renewable energies. With energy-efficient new buildings and the energy-

efficient renovation of existing buildings, CO₂ emissions are to be further reduced to only 67 million tonnes of CO₂ by 2030. This reduction target of 65% compared to 1990 is part of the amendment to the Climate Protection Act, which came into force on 31 August 2021. Tax depreciation options, repayment subsidies, or low-interest loans give homeowners financial incentives to build energy-efficiently or to renovate existing buildings to make them more energy-efficient.

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- 20 Our commitment to climate protection
- 22 An overview of our fields of action
- 23 What climate protection goals we have achieved
- 28 EU Taxonomy reporting by the Sto Group

The material topics handled in this section are:

- Economic performance and climate change
- Fossil fuels and renewable energy sources
- Reduction of emissions

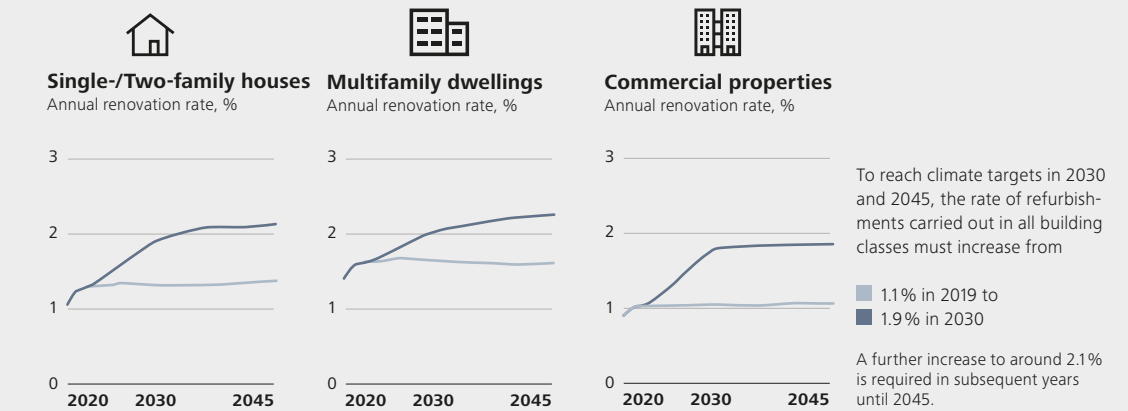
GRI indicators handled in this section:

GRI 3-3; 302-1, 302-4; 305-1 to 305-3; 305-5



Climate action targets require the rate of refurbishments carried out in the construction sector to double

Target path 2030/2045 for energy-efficient refurbishments in the various building sectors in Germany



Note: The definition of the energy renovation rate used here refers to full refurbishment equivalents. Source: BCG, BDI, forecast (2021), 'Klimapfade 2.0. Ein Wirtschaftsprogramm für Klima und Zukunft' climate study.

The regulatory and financial framework for better climate protection has also been created at a European level. With the European Green Deal, the 27 EU member states want to reduce greenhouse gas emissions by at least 55% by 2030 compared to levels in 1990, and become climate-neutral by 2050. The EU plan envisages doubling the annual renovation rate of buildings from the current level of just 1%, and

providing extensive funds from the EU budget for climate protection.

The measures initiated for more climate protection offer a favourable environment and great growth potential for Sto, especially in the core business of facade systems, which offers very effective solutions for reducing heating energy and significantly improving the carbon footprint of buildings.

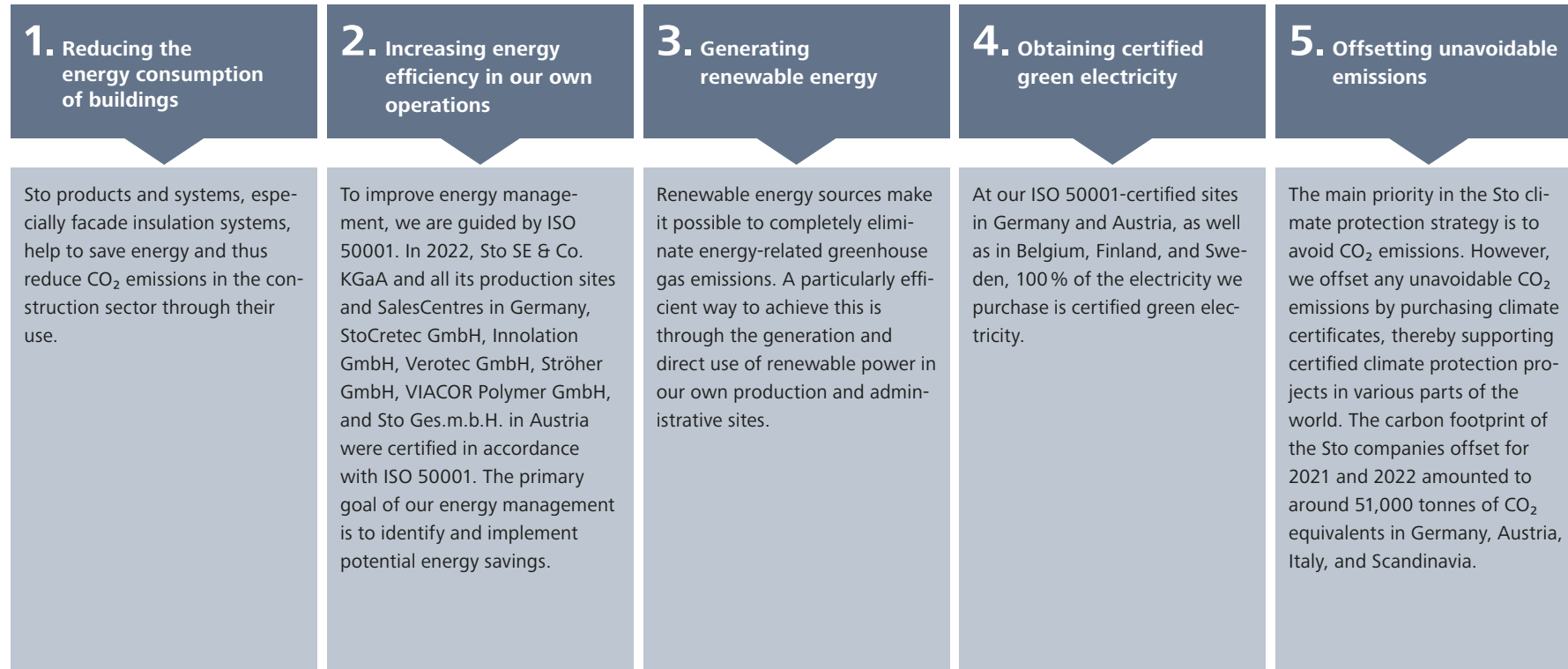
Our commitment to climate protection

The key measures derived from our sustainability strategy focus on climate protection. Sto began using external wall insulation systems to achieve energy savings by insulating building facades as early as 1965.

With the products and systems of our core business, we make a significant contribution to reducing energy and resource consumption, as well as greenhouse gas emissions in the construction sector. Although energy and raw materials must also be used for the industrial production of insulation systems and building materials, over their service life they save many times the carbon footprint caused in production. Equally important to us is the commitment to climate protection at the corporate level. The production processes, energy use and energy generation that are all geared towards efficiency and low CO₂ emissions are an integral part of our sustainability strategy and have the highest priority at Sto. Our goal is to be climate neutral throughout the entire Group by 2025 by offsetting our unavoidable emissions through the purchase of climate certificates. By 2040, we want to have climate-neutral production across the entire Group and align our business operations with the Paris Agreement's goal of limiting the global temperature increase to 1.5 degrees Celsius in 2100.

We are committed to the efficient and sustainable use of energy and naturally limited resources, and ensure that our internal processes in procurement, production, operations, logistics, and distribution are continuously improved. By applying state-of-the-art technologies and process optimisations, we achieve high energy efficiency and conserve natural resources. We are also gradually converting our energy supply to renewable sources. In line with the precautionary principle, we aim to avoid CO₂ and other greenhouse gas emissions and to reduce the consumption of fossil energy within the company.

An overview of the main points of our climate protection strategy



Our climate protection roadmap



By 2024

- CO₂ balance sheets will be available for all subsidiaries.



By 2025

- at least 75% of turnover will come from products that contribute to climate protection.
- We will introduce energy management systems based on ISO 50001 in all countries with production facilities.
- We will achieve an annual reduction in energy consumption of 1% (in kWh, sales-related) in the ISO 50001-certified companies.
- We will make the entire Sto Group climate-neutral worldwide – by means of increased procurement of green electricity and offsetting through climate protection certificates.



From 2025

- Through additional investments in energy-efficient technologies, e.g. in buildings and production facilities, in renewable energy generation, e.g. in our own photovoltaic systems and in e-vehicles, we will avoid CO₂ emissions permanently – the target is a level of around 5% per annum from 2025.



By 2040

- we want to be producing in a climate-neutral manner globally and thus align our entire operations with the goal of the Paris Climate Agreement to limit the global temperature increase to 1.5 degrees Celsius in 2100.

A fundamental cornerstone here is our energy management system, through which we record energy consumption, review energy use, increase energy efficiency, and create the basis for CO₂ balance sheets. By observing ISO 50001, we tap unused energy efficiency potential. We take a holistic approach and include our vehicle fleet, buildings, infrastructure, technology, employees, and processes, as well as organisational procedures in the analysis. Energy-efficient and resource-efficient machinery, equipment, and operating resources are an important building block when it comes to reducing our emissions. In the case of acquisitions, we always consider the latest state of the art. When it comes to measures to reduce energy consumption, we determine the savings potential with regard to CO₂ emissions. And in the case of investments, we prepare a full cost analysis and take CO₂ prices and emissions into account.

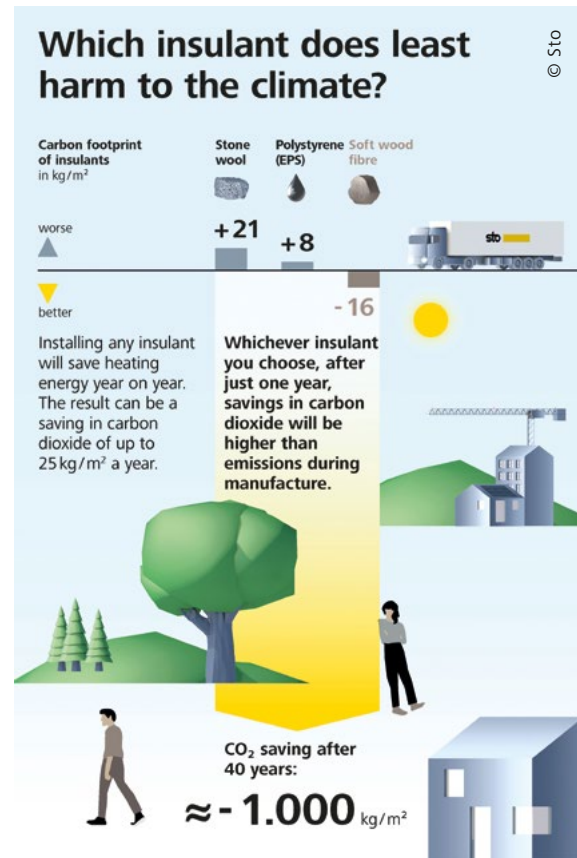
The energy management system related to corporate activities is supplemented by product-related processes in the areas of research and development, product management, and sustainability. To this end, we continuously record the greenhouse gas emissions of our products and implement innovations to further reduce their carbon footprint. Here, too, we are pursuing an ambitious goal – by 2025, we want to achieve at least 75% of our turnover with products that contribute to CO₂ reduction in the construction sector and thus to climate protection.

75% of our products will contribute to climate protection by 2025

Our commitment to climate protection is rounded off by our integrated management system, under which we identify risks arising from climate change, take measures to adapt to climate change, and develop a climate protection strategy. In this way, the management system creates the conditions for achieving these goals. As far as possible, the respective climate protection measures are integrated into existing energy management systems. If these are not yet in place, they are established and corresponding processes and responsibilities are defined. Here, we are guided by ISO 50001. In the context of climate change, the impact it can have on our business is increasingly significant. As part of our risk analysis, we identify climate-related risks and initiate measures to avoid or mitigate negative impacts. For example, we must increasingly focus on risks from severe weather, which can have a huge and unpredictable impact on our business, our locations, and our supply chain.

An overview of our fields of action

In order to achieve the climate action targets defined in our sustainability strategy, we have launched a package of measures to be implemented by 2025. We differentiate between measures or goals at a product level and activities at a company level.



Product level

- Identifying our products and systems that contribute to climate protection, as well as determining their economic and climate-friendly potential. Specifically, this concerns
 - External wall insulation systems (EWIS) – Reducing emissions by saving energy and conserving resources by maintaining existing buildings through energy retrofitting;
 - Facade coatings (e.g. render) – Protecting and preserving buildings (and an integral part of durable EWIS);
 - Concrete repair – Extending the useful life of buildings.
- Determining, quantifying, and publishing the environmental effects of our products and systems with a clear focus on our carbon footprint; for example, through Environmental Product Declarations (EPDs).

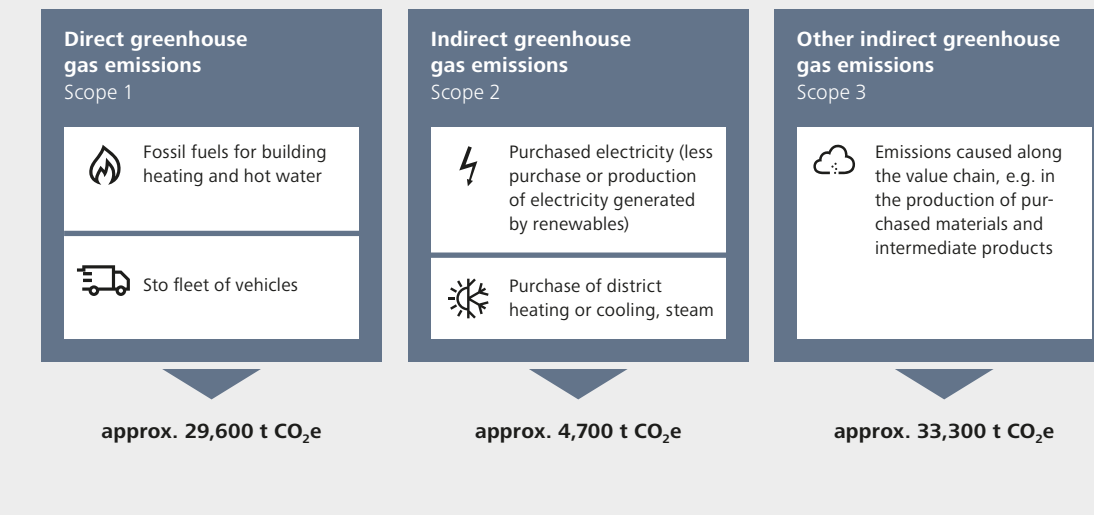
- Creating specific life cycle assessments for Sto products and systems, and constructing a life cycle assessment database to analyse and optimise the impact of Sto products on climate change.

Company level

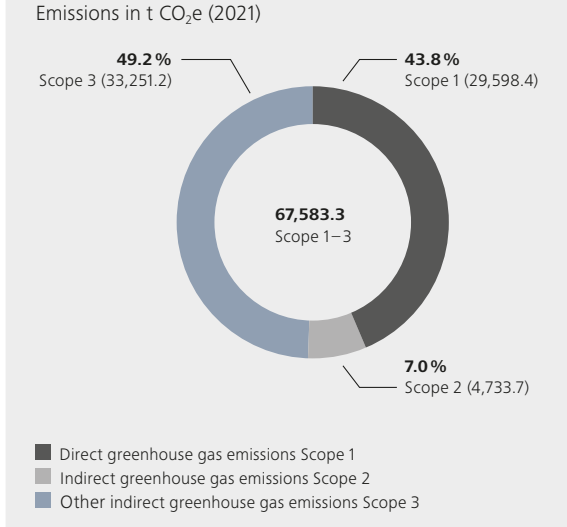
- Preparing CO₂ balance sheets using the official Greenhouse Gas Protocol guidelines for all Sto companies with external service providers (Scope 1, Scope 2 and partially Scope 3).
- Group-wide introduction of energy management systems (according to ISO 50001) and, building on this, improvement of the energy efficiency of the company's own operations.

- Analysis of CO₂ emissions for investments in machinery, equipment, vehicle fleets, real estate, and buildings, taking into account climate-impacting and economic aspects, especially through potentially rising CO₂ prices.
- Reducing the energy consumption of our buildings through the use of Sto products and compliance with high energy efficiency standards.
- Generating renewable energy at our own sites in the context of heating replacements, new construction, renovation of existing buildings, and site planning in order to completely avoid energy-related greenhouse gas emissions; generation and direct use of renewable electricity at our production and administrative sites as a particularly efficient measure.
- Increased sourcing of green electricity to reduce CO₂ emissions in Scope 2.

Major sources of greenhouse gas emissions at Sto (2021)




Carbon footprint of 17 Sto companies





- Achieving climate neutrality through verifiable compensation measures: unavoidable greenhouse gas emissions are offset to achieve greenhouse gas neutrality (application to Sto companies with verified CO₂ balance sheets and selected Sto products); support for a range of climate protection projects with the purchase of climate certificates, particularly in developing and emerging countries.
- Incorporating climate change risks in the form of increased severe weather, flooding, potential local water shortages, and the like in our risk management system.

What climate protection goals we have achieved

Based on our own calculations, since 1965, Sto insulation systems have been installed on around 670 million square metres of buildings worldwide, potentially saving 130 billion litres of heating oil (equates to around 520 oil tankers with a capacity of 250 million litres of oil) up to and including 2022, with the year under review accounting for around 10 billion litres of this figure alone. The resulting reduction in CO₂ emissions amounts to an equivalent of around 416 million tonnes in total, including approx. 26 million tonnes in 2022. In this way, Sto products make a significant continuous contribution to climate and environmental protection. This also improves the living comfort and quality of the relevant buildings.

The chart  page 22 shows the CO₂ emissions (Scope 1–3) of 17 Sto Group companies totalling approx. 67,583.3 CO₂e in 2021, which together accounted for a share of around 69.3% of consolidated turnover. 43.8% of emissions were attributable to Scope 1, i.e. emissions caused by the operation of our production facilities and our vehicle fleet. Scope 2 emissions resulting from the external purchase of energy (mainly electricity and heat), on the other hand, accounted for only 7.0% of total emissions. Indirect (Scope 3) greenhouse gas emissions accounted for a share of 49.2%. These include purchased materials and primary products, employee commuting and business travel, delivery logistics services provided by third parties, capital goods, upstream energy-related emissions, and water and waste generated within the company. The methodology of how we record emissions at

Sto according to Scope 1, 2, 3 is explained in the info box on  page 22. You can find the values for Sto companies with CO₂ balance sheets in detail in section 9,  page 73.



Photovoltaic system installed at the Lauingen site in 2022.
Photo: Innolation GmbH, Lauingen, DE



Photovoltaic systems installed at the Stühlingen site in 2022 (1/2).
Photo: Sto SE & Co. KGaA, Stühlingen, DE



Photovoltaic systems installed at the Stühlingen site in 2022 (2/2).
Photo: Sto SE & Co. KGaA, Stühlingen, DE

We quantify emissions with CO₂ balance sheets

For the 2021 financial year, CO₂ balance sheets from seven companies in Germany (Sto SE & Co. KGaA, StoCretec GmbH, Innolation GmbH, Verotec GmbH, Ströher GmbH, JONAS Farben GmbH, and VIACOR Polymer GmbH), ten companies in the rest of Europe (Sto Ges.m.b.H., Austria; Sto AG, Switzerland; Sto Italia Srl, Italy; Innolation S.A.S., France; Sto Danmark A/S, Denmark; Sto Norge AS, Norway; Sto Scandinavia AB, Sweden; and Sto Finexter OY, Finland) and our companies in Columbia (Sto Colombia S.A.S.) and the USA (Sto Corp.) were available. Companies with CO₂ balance sheets currently update these every two years. From 2024, these balance sheets will be created for the entire Sto Group and will be moved over to an annual cycle.



Photo: Marius Sabo

‘Climate protection is one of the greatest challenges we are facing this century. We are aware of our particular responsibility as an industrial company. **Sto products and systems have been contributing to climate protection since 1965.** To this end, Sto Austria has launched the StoClimate initiative, in which we commit to sustainability as a comprehensive principle.’

Walter Wiedenbauer, Dipl.-Ing., Managing Director of Sto Ges.m.b.H., Villach, AT

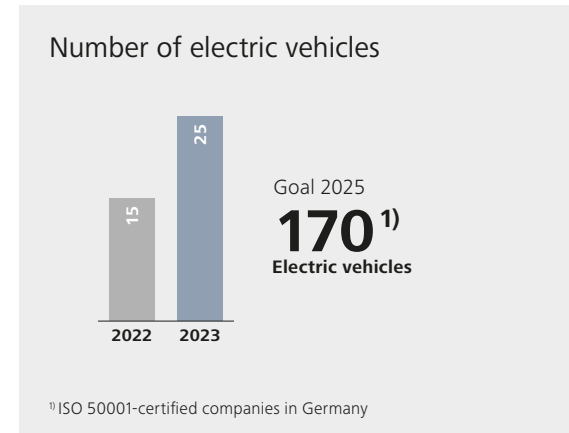
Reducing energy consumption in the company and direct emissions

Within the framework of the ISO 50001 audit, we were certified as having excellent efficiency. An analysis by the internal network ‘Energy Efficiency at Sto’ comes to the same conclusion. A high level of energy and resource efficiency has already been achieved in the company through many years of consideration of energy-relevant topics. Taking the usual optimisation measures as a basis, no sudden improvements are to be expected in the coming years. This is especially true for the production division, where the technical possibilities have already been exhausted in many areas. Accordingly, for future savings in energy, greater attention is being paid to process optimisations that are to be implemented consistently across all areas of the company. We have

set up various programmes for this purpose. Further potential for increasing efficiency lies primarily in the gradual change-over of the vehicle fleet to electric mobility and in the energy-efficient refurbishment of our own buildings. To reduce our Scope 1 emissions, we are therefore focusing on the following two packages of measures.

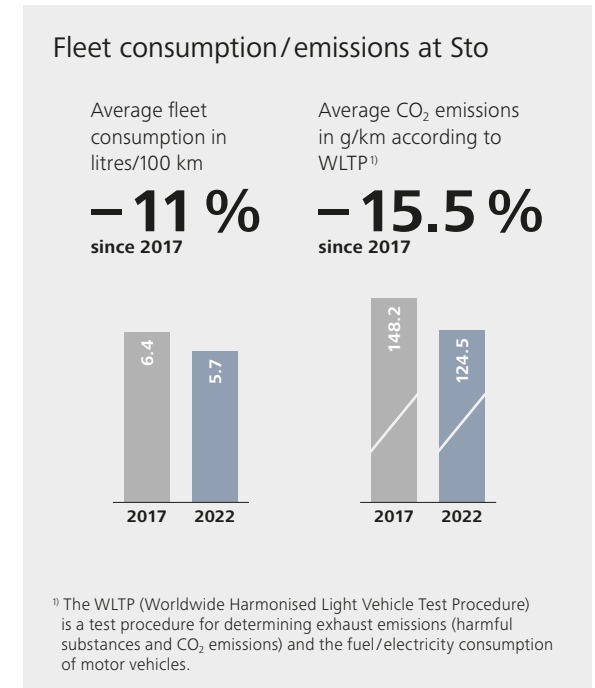
Mobility – Changing the vehicle fleet over to electric

The fuel consumption of Sto’s vehicle fleet (cars and trucks), which comprises around 900 vehicles in the ISO 50001-certified business units, accounted for 21.9 million kWh or around one third of the total energy consumption in these business units in 2022. Due to the significance for our energy consumption, we place particular focus on this area in our measures to reduce our CO₂ emissions. For example, we are



gradually switching to electric vehicles in the renewal of our car fleet. When selecting company cars, we are guided by a complex full-cost analysis with an optimal balance between price, performance, consumption, and CO₂ emissions. In 2022, 15 e-vehicles were ordered for Sto SE & Co. KGaA. The goal for 2023 is to replace 25 diesel vehicles with electric vehicles, saving around 213,600 kWh or 57,000 kg of CO₂ per year. 25% of the car fleet in Germany is to be electrified by 2025 (see chart).

At the same time, we are gradually expanding the charging infrastructure at our locations in Germany. In 2022, there were 20 charging points at the main location in Stühlingen and one more in Lauingen. More than 20 additional charging points are planned at five locations by 2024. The charging points in Stühlingen are not only available to our employees and visitors, but also to tourists. The charging station is powered by green electricity from hydropower.



We aim to continuously reduce the fuel consumption and CO₂ emissions of newly ordered cars in the Group. The average value of CO₂ emissions for vehicles available for selection when ordering a new vehicle was reduced by around 15.5%, from 148 g/km in 2017 to 125 g/km in 2022. From 2017 to 2022, the fuel consumption of Sto’s own car fleet was reduced by around 11%, from an average of 6.4 l/100 km to approx. 5.7 l/100 km (for detailed information on fuel consumption, see section 9, [page 74](#)).

Externalisation is planned for the company’s own truck fleet by 2025. With our transport and logistics service providers, we agree on requirements for the use of fuel-efficient vehicles or, where possible, vehicles with alternative fuels. The optimisation of travel and route planning, and training for sales staff on energy-conserving and energy-efficient driving also makes an important contribution to resource and climate protection in the area of logistics and mobility.

Improving energy efficiency at Sto

New buildings at Sto are consistently built to the standard for the lowest energy consumption, or better. The widespread energy refurbishment of our own buildings, including EWIS (external wall insulation system), windows, roofs, and gates, also aims to reduce energy consumption in the company, as well as direct emissions. Energy efficiency measures implemented in buildings and investments are regularly monitored by management, and employees are actively involved in all initiatives for saving energy. We also systematically analyse the reduction and substitution potentials regarding our energy demand at other locations. In 2021, we were able to save around 40,000 kWh through corresponding measures.

Three development paths to our 2040 climate target

In order to align our operations with the 1.5 degree target of the Paris Agreement by 2040 without offsetting, we are pursuing three development paths: 1) switching to renewable energies; 2) increasing our energy efficiency; 3) generating renewable electricity.

¹⁾ The energy consumption values for 2022 were not available in full and/or could not be adjusted and verified by the time this Sustainability Report went to press. An initial look at the data for 2022 during the first quarter of 2023 indicates that the consumption values are similar to those from 2021, albeit with a slight downward trend thanks to the savings target of 1.0% per year in the ISO 50001-certified companies.

53 % Green electricity share of total electricity consumption

Reducing indirect energy-related emissions

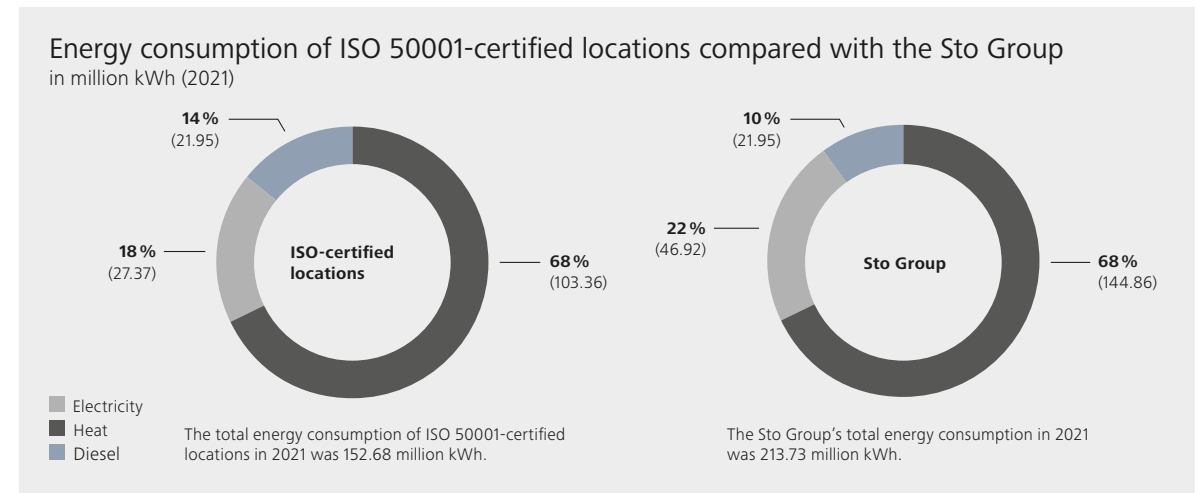
At our ISO 50001-certified sites in Germany and Austria, as well as in Belgium, Finland, Sweden, and Colombia, which consumed approximately 153 million kWh of energy and approximately 27 million kWh of electricity in 2021¹⁾, 12.6% of the electricity we purchased was certified green electricity. We are striving to achieve this proportion for further locations and are continuously reviewing the use or purchase of renewable energy in the individual Sto Group companies, depending on regional availability and economic viability. Five of these companies already had a green electricity share of between 20% and 65% in 2021. Based on the Sto Group’s electricity consumption of approx. 47 million kWh, the proportion of green electricity was 53% in 2021. Renewable energies accounted for 12% of the Sto Group’s total energy consumption of approx. 214 million kWh. By introducing energy management systems, we made significant progress towards the long-term goal of climate-neutral production across the entire Group by 2040. Certificates according to ISO 50001 were available for ten production sites in Germany and Austria in 2022. This gives us full transparency on the sources of our energy-related emissions for around 70% of the Sto Group’s total energy consumption. In-depth knowledge of the consumption points is the basis for us to identify and implement further potential for saving energy and reducing emissions. You can find more details about energy consumption in section 9, [page 74](#).

Increasing energy efficiency

Increasing our energy efficiency and verifying our improved energy performance is achieved by monitoring the energy quantities used. Energy consumption (electricity, combustibles, fuels, and comparable media) are measured by permanently installed or temporary meters at the various locations. By recording the type of energy, e.g. electricity, gas, heating oil, diesel fuels, and the type of energy used, e.g. in combustion engines or generators, we gain further in-depth knowledge on the breakdown of our energy consumption and the identification of corresponding potential for improvement. Technical optimisations will be reviewed and implemented on an ongoing basis; for example, in 2022 we replaced a stretch wrapping system from 1992 that ran on natural gas with a new system that no longer works thermally, but mechanically, thus saving around 550,000 cubic metres of natural gas a year.

Expanding self-generated, renewable electricity

Even though the amount of self-generated, renewable electricity was still below 1 million kWh in 2022, we have expanded this path further. At the Stühlingen site, we operate our own hydropower plant with near-natural water flow and an annual output of over 200,000 kWh. The installed capacity for generating renewable electricity through photovoltaics has been expanded at the Stühlingen site with two additional 60 kWp roof systems (since 2016), taking the total to 173 kWp, see photos on [page 23](#). Furthermore, photovoltaic systems with a total capacity of 554 kWp have been installed at three production sites in Germany, Czech Republic, and Poland during 2022. Further photovoltaic systems are located at sales sites in Germany and Austria, and are planned at various other Group locations. In addition, we are reviewing which additional opportunities exist for the generation of renewable energies; for example, wind power, at our sites.




Greater energy efficiency, renewable energy, and regenerative electricity generation

- In 2022, Sto SE & Co. KGaA and all production sites and SalesCentres in Germany, StoCretec GmbH, Innolation GmbH, Verotec GmbH, Ströher GmbH, VIACOR Polymer GmbH, and Sto Ges.m.b.H. in Austria were certified in accordance with ISO 50001.
- The energy demand of these companies amounted to around 153 million kWh (heating oil, natural gas, electricity, diesel) in 2021.
- The Sto Group's total energy consumption in 2021 was around 214 million kWh. The share of renewable energy was around 12 %.
- In 2022, we saved 6,223 tonnes of CO₂ by purchasing certified green electricity in Germany.
- By 2025, introducing energy management systems (based on ISO 50001) in all countries with production facilities; reducing energy consumption by 1 % p.a. (in kWh, sales-related).




Initiative Energieeffizienz- und Klimaschutz-Netzwerke

An important element of our energy management system is the 'Energy Efficiency at Sto' network, which was founded in 2016 (renamed the 'Network for Energy Efficiency and Climate Protection at Sto' in 2022) and is part of the German government's  'Initiative Energieeffizienz- und Klimaschutz-Netzwerke' (Energy efficiency and climate protection networks initiative) via the Verband der Chemischen Industrie e.V. (German Chemical Industry Association). The Sto network facilitates an open exchange of experience and ideas between the Sto Group's business units and locations, in order to increase energy efficiency. The network meets twice a year. Measures that have been implemented are presented and discussed as to whether they can be transferred to other locations as well. In the year under review 2022, the Austrian subsidiary, Sto Ges.m.b.H., was honoured for the standards it sets in terms of sustainability and environmental protection. It won the coveted TRIGOS Regional Carinthia sustainability prize in the 'Creating regional value' category for its dry-production plant that went into operation in Villach in 2021. The company was recognised for the value created for the region of Southern Europe through its new production facility in Villach for adhesive and basecoat mortars in powder form. Relocating the added value from Germany to Austria produces a regional added value. Especially noteworthy is the avoidance of long transport routes, as well as the huge reduction in CO₂ of around 1,000 tonnes each year thanks to the diesel that is saved. The jury of the TRIGOS Regional Carinthia prize feels that Sto is acting as a real pioneer with this project, which is

crucial when the aim is to bring about a change of mindset and achieve transformation. Production is sustainable thanks to raw materials sourced primarily from the region, shorter transport routes, and a photovoltaic system measuring 1,000 square metres.

Climate protection certificates

We have had our carbon footprint determined by independent organisations. The greenhouse gas balance sheets gives a transparent overview of our CO₂ emissions. Based on the carbon footprint values from a CO₂ balance sheet year, we acquire climate protection certificates for subsequent financial years so that we can offset greenhouse gas emissions. In 2021 and 2022, four companies in Germany (Sto SE & Co. KGaA, StoCretec GmbH, Innolation GmbH, and Verotec GmbH) and another five companies in Europe (Sto Ges.m.b.H., Austria; Sto Italia Srl, Italy; Sto Scandinavia AB, Sweden; Sto Danmark A/S, Denmark; and Sto Finextor OY, Finland) were made climate-neutral through the purchase of climate protection

certificates or the emissions determined in the CO₂ balance sheets were offset. This means that around 54 % of the Sto Group's turnover came from companies that have offset their calculated CO₂ emissions. For the purchase of climate protection certificates and after careful examination, we have selected a number of climate protection projects that are accredited, approved, and monitored according to one of the three internationally recognised certification standards – VCS (Verified Carbon Standard), UN CER (Certified Emission Reduction of the United Nations), or the Gold Standard developed by the WWF. Validating the project results in terms of CO₂ savings achieved is certified by independent auditing bodies. Sto is a supporter of the  **Development and Climate Alliance**, which aims to link development cooperation and international climate protection via the instrument of voluntary offsetting of greenhouse gases and to mobilise additional funds to finance important development and climate protection projects in developing and emerging countries.



Less film is consumed and gas as an energy source has been eliminated by the new stretch wrapping system in the Stühlingen production department.

Photo: Sto SE & Co. KGaA

Taking our sustainability efforts up a gear: to encourage the use of bicycles, we have offered employees at Sto SE & Co. KGaA and certain other subsidiaries the possibility to lease a company bike through Sto.

As a supporter of the Alliance, we help to ensure that climate protection technologies – adapted to local needs and conditions in the partner countries – can be developed, promoted, and implemented by supporting offset projects.



With the certificates acquired for the German companies, we support a wind power project in Türkiye, a well project in Zimbabwe, and a solar park project in India, each certified by the Gold Standard.

We also provide assistance to a forest reforestation project in Uruguay and a solar cooker project in China, both certified under the Verified Carbon Standard. The certificates purchased for our Scandinavian companies support a wind power project in India. The unavoidable CO₂ emissions



Among other things, we support a well project in Zimbabwe with our certificates.

Photo: Fokus Zukunft, Starnberg, DE



Photo: Sto Scandinavia AB, Linköping, SK

Again in 2022, we transported StoVentec Carrier Boards from Lauingen in Bavaria to Sweden partially by train. The 1,582 km route between Nuremberg and Norrköping reduces CO₂ emissions by 65 % compared to transporting goods by truck along the entire route between Lauingen and Linköping.

caused by Sto Ges.m.b.H. are offset by UN-certified climate protection projects. We have based the selection of our climate protection projects on the Kyoto Protocol, which is binding under international law and stipulates that climate protection projects that avoid or store greenhouse gas emissions should take place where they are most economical.

Determining and reducing product carbon footprints

Although the use of numerous Sto products and systems leads to a reduction in emissions in the construction sector and insulation systems pay for themselves quickly in terms of energy, we are working to reduce the carbon footprint of our products.

The impact of existing products on our environment is tested, and certified or made transparent through eco-labels and Environmental Product Declarations (EPDs). A large proportion (around 670) of our products hold EPDs with specific CO₂ values (global warming potential), making them particularly relevant in terms of climate protection.

We also strive for climate neutrality at product level and offset CO₂ emissions for selected products by purchasing certificates. In 2022, this applied to two products from the StoCretec GmbH portfolio. The corresponding certificates are used, among other things, to support a hydropower project in Madagascar, contributing to saving over 300 tonnes of CO₂. Sto Ges.m.b.H. in Austria has made eleven more products climate-neutral and has offset around 1,600 tonnes of CO₂ by purchasing corresponding certificates.

65 % less CO₂ thanks to rail transport between Sweden and Germany

In addition, we carry out intensive development work to find more ecological raw materials. One example is the development of Sto Aims® products, in which 30 % of the binder used is made from resource-conserving pine oil instead of crude oil, or EPS insulation boards, which are made using renewable raw materials (according to the biomass balance sheet method).

Risk management in relation to climate change

Sto has a central risk management system in which all risks relevant to the business are recorded and evaluated. In the system, risks are regularly queried or recorded via an IT tool, i.e. at least once a year or on an ad hoc basis. Increasingly, the system also takes into account risks related to climate change. The reporting system already records risks resulting from weather fluctuations.

A major proportion of Sto's products is used on the exterior. This means that their application is dependent on weather conditions, something that Sto is unable to influence. In particular, severe and long winters, periods of prolonged rainfall, or intense heat can lead to turnover losses. Conversely, favourable weather conditions can have a positive effect on business development. The risk analysis tool can also be used to record weather risks (heavy rainfall events, flooding, water shortages) and their direct impact on our sites. The systematic analysis of these risks is an integral part of the risk management system. Digital warning systems for disruptions in our supply chain, covering severe weather events, among other things, have also been implemented. To enable us to better meet requirements from the EU Taxonomy Regulation in future, we plan to conduct climate risk and vulnerability assessments, incorporating climate projection scenarios, for our sites and, as far as possible, for our supply chain too over the coming years.

EU Taxonomy reporting by the Sto Group

The EU Taxonomy is a key component of the EU Action Plan for Sustainable Finance. The objective of the Action Plan is to reorient capital flows towards sustainable economic activities in order to take the economy in a more sustainable direction. As a uniform classification system, the EU Taxonomy is to define which economic activities can be declared 'environmentally sustainable'. The companies addressed by the Taxonomy Regulation report annually on the results in relation to this classification.

In the interests of classifying economic activities, it is necessary to distinguish between Taxonomy-eligibility and Taxonomy-alignment. An economic activity is Taxonomy-eligible if it is listed in the EU Taxonomy and can therefore potentially contribute to achieving at least one of the six environmental objectives stated in Article 9 of the Taxonomy Regulation:

- a) Climate change mitigation
- b) Climate change adaptation
- c) Sustainable use and protection of water and marine resources
- d) Transition to a circular economy
- e) Pollution prevention and control
- f) Protection and restoration of biodiversity and ecosystems

So far, specifications relating to sustainable economic activities in the sense of the EU Taxonomy have been published for environmental objectives a) and b).

Only Taxonomy-eligible economic activities can be declared Taxonomy-aligned and, therefore, 'environmentally sustainable' when certain criteria are met. Three overarching criteria must be fulfilled in order to achieve Taxonomy-alignment. The economic activity must make a substantial contribution to an environmental objective, must not significantly impair any other environmental objective ('do no significant harm', DNSH), and must also comply with the minimum social protection specifications ('minimum safeguards', MS). This is the second time that Sto has reported according to the requirements of the EU Taxonomy. For the first-time reporting of the 2021 financial year, Article 10 of the Delegated Act supplementing Article 8 of the Taxonomy Regulation provided for relief regulations for non-financial undertakings. According to this, the disclosure rule was limited to reporting on Taxonomy-eligibility. In the course of this work, the share of the sales revenues, capital expenditure (CapEx), and operating expenditure (OpEx) related to Taxonomy-eligible economic activities in the respective total value were reported. For the 2022 financial year, the disclosure rule was extended to include reporting on Taxonomy-alignment. It was therefore necessary to determine and disclose the share of the sales revenues, CapEx, and OpEx related to Taxonomy-aligned economic activities as well.

Sto's economic activities

In the first step of the analysis, the descriptions of the economic activities contained in the Climate Delegated Acts of the Taxonomy Regulation served as a basis for investigating the extent to which Sto's economic activities are Taxonomy-eligible in relation to the 'Climate change mitigation' and 'Climate change adaptation' environmental objectives. As a manufacturer and marketer of functional systems for energy-efficient building equipment, Sto SE & Co. KGaA and a large number of its subsidiaries carry out Taxonomy-eligible

activities from Annex 1 (environmental objective: Climate change mitigation) in their core business. Taxonomy-eligible activities mainly relate to the product segments of external thermal insulation systems and rainscreen cladding facade systems. These activities can be assigned to economic activity 3.5. 'Manufacture of energy efficiency equipment for buildings' listed in Annex 1. Therefore, all related sales revenues, CapEx, and OpEx were classified as Taxonomy-eligible. None of the other economic activities listed in Annex 1 (Climate change mitigation) and Annex 2 (Climate change adaptation) are relevant to turnover for Sto.

Checking Taxonomy-alignment

For a Taxonomy-eligible economic activity to be Taxonomy-aligned, it must fulfil the three aforementioned overarching criteria: it must substantially contribute to one of the environmental objectives, do no harm to any other environmental objective, and meet the minimum social safeguards.

Substantial contribution

In the first step of the analysis regarding Taxonomy-alignment, the Taxonomy-eligible activities must be assessed to determine the extent to which they meet the defined criteria for making a substantial contribution to one of the environmental objectives. For economic activity 3.5., the following criteria have been defined in relation to the product groups in Annex 1 of the Climate Delegated Act that are relevant for Sto:

- External wall systems: maximum U-value of 0.5 W/m²K;
- Thermal insulation products: maximum lambda value of 0.06 W/mK;

The two product segments that are relevant for Sto – external thermal insulation systems and rainscreen cladding facade systems – are external wall systems.

All external wall systems sold and placed on the market by Sto allow building owners to achieve a U-value that is considerably below the defined limit value of 0.5 W/m²K. Internal wall systems are another Sto product segment in addition to external wall systems. However, although external wall systems are named explicitly in the legal text of Annex 1 of the Delegated Act, the same does not apply to internal wall systems. This product segment has therefore been assigned to thermal insulation products. All thermal insulation products made and placed on the market by Sto are significantly below the defined limit value of 0.06 W/mK. This means the relevant criteria for making a substantial contribution to climate protection have been fulfilled in the context of economic activity 3.5. With its core products, Sto is making an important contribution to climate protection.

Do no significant harm (DNSH)


The second step in the alignment check relates to DNSH criteria. This step ensures that the company's Taxonomy-eligible economic activities do no significant harm to any of the other environmental objectives. For economic activity 3.5. 'Manufacture of energy efficiency equipment for buildings', DNSH criteria are defined in Annex 1 of the Climate Delegated Act for these environmental objectives:


- b) Climate change adaptation
- c) Sustainable use and protection of water and marine resources
- d) Transition to a circular economy
- e) Pollution prevention and control
- f) Protection and restoration of biodiversity and ecosystems.

In relation to the ‘Climate change adaptation’ objective, one of the defined DNSH criteria states that comprehensive climate risk and vulnerability assessments must be conducted for all production sites involved in generating Taxonomy-eligible turnover and, if necessary, action plans must be drawn up and implemented (see Annex I, Appendix A). In addition, the risks of environmental degradation related to preserving water quality and avoiding water scarcity (see Annex I, Appendix B) must be analysed, as must the risks involved in protecting and restoring biodiversity and ecosystems (see Annex I, Appendix D). These processes have begun, but it was not possible to complete them to the necessary level of detail in 2022, so these requirements are not fulfilled yet. By contrast, our analyses in relation to preventing and controlling pollution regarding the use and presence of chemicals (see Annex I, Appendix C) showed that almost all Sto’s turnover that has been identified as Taxonomy-eligible meets these requirements already. Substances that must be avoided according to the Taxonomy Regulation are only used to a very limited extent.

Minimum safeguards

The third overarching criterion for Taxonomy-alignment is to ensure that minimum safeguards are met. This applies equally to all economic activities and addresses the observance of human rights, social and labour standards, and specifications on the topics of fair competition, corruption, and fiscal discipline. Compliance with minimum safeguards can be proved both for individual economic activities and for the company as a whole. Sto aims to meet these requirements at Group level. In relation to complying with ‘minimum

safeguards’, Article 18 of the Taxonomy Regulation specifies the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights, the ILO Core Labour Standards, and the International Bill of Human Rights as relevant frameworks. In terms of giving concrete shape to the requirements, Sto is guided by the recommendations of the Platform on Sustainable Finance  **see Final Report.**

As a responsible family-run company, Sto respects and supports human rights, including labour and consumer rights. We expressly share the objectives of combating corruption and bribery, as well as promoting fair competition and a fair tax system. This is reflected in our corporate activities. The values for responsible business anchored in the Sto Code of Conduct relate in particular to the protection of the environment, human rights, labour standards, transparency, and anti-corruption. We put corresponding processes and training into practice throughout the Group through our compliance, purchasing and sustainability departments. The Act on Corporate Due Diligence Obligations in Supply Chains and the minimum safeguards of the EU Taxonomy set out new specifications for the processes and measures in this area. To meet these requirements, in 2022 we conducted a detailed analysis of the degree of maturity and initiated a series of measures. You will find a comprehensive representation of our activities in this area in section 7,  **page 58.** It was not possible to complete all the initiated measures in 2022. For example, the process to publish a policy statement in the context of the Act on Corporate Due Diligence Obligations in Supply Chains will be completed in the spring of 2023. The measures we have initiated mean we will be

able to meet the minimum safeguards on reporting for the 2023 financial year in full. There is no guarantee that everything will be complied with in full for 2022.

Key figures

Based on Section 289b (1) in conjunction with Section 315b of the German Commercial Code (HGB) and Article 8 of the Taxonomy Regulation, Sto is bound to apply the rules contained in the Taxonomy Regulation. Sto SE & Co. KGaA has prepared its consolidated annual financial statement of the Sto Group as at 31 December 2022 in accordance with the IFRS, as applicable in the European Union, and the interpretations issued by the IFRS Interpretation Committee (IFRIC). The figures below have been determined based on the IFRS consolidated annual financial statement of the Sto Group. All fully consolidated and proportionally consolidated Group companies are included. Companies have to report the share of Taxonomy-eligible and Taxonomy-aligned sales revenues, CapEx, and OpEx (numerator) in the respective total value (denominator).

Turnover key figure

The turnover key figure is calculated from the ratio of the sales revenues from Taxonomy-eligible and Taxonomy-aligned economic activities (numerator) to the total sales revenues for the financial year (denominator). The denominator corresponds to the sales revenues given in the IFRS consolidated annual financial statement of the Sto Group and therefore relates to the net turnover connected to goods or services including intangible assets according to IAS 1.82(a). The total sales revenues for the 2022 financial year were EUR 1,787.4 million.

All turnover related to Taxonomy-eligible and Taxonomy-aligned economic activities is relevant for the numerator. To determine the numerator in relation to Taxonomy-eligibility, an analysis has been conducted to establish which of Sto’s turnovers declared in the statement of profit or loss are related to Taxonomy-eligible economic activities. A detailed analysis performed at product-family level enabled the turnover items to be uniquely attributed to economic activity 3.5. ‘Manufacture of energy efficiency equipment for buildings’ or not be attributed. As has already been described, the turnover related to economic activity 3.5. includes the turnover associated with external wall systems. This turnover can be further broken down into turnover associated with external thermal insulation systems, rainscreen cladding facade systems, and facade claddings, which are installed into external wall systems. Added to that is the pro-rated turnover connected with surface renders, which are sometimes applied in external wall systems. Turnover connected with internal wall systems must be included as well, once again supplemented by pro-rated turnover connected with surface renders, which, taken as a complete system, contribute to a building’s energy efficiency in the same way as an external wall system. In addition, the ‘insulation board fixings’ and ‘adhesives/base coats’ product families from the industrial coatings product segment can be declared Taxonomy-eligible, since they are used in external wall systems for industrial application. The total amount of Taxonomy-eligible turnover for the 2022 financial year was therefore EUR 889.5 million, which results in a Taxonomy-eligible turnover share of 49.8%. As such, the share of Taxonomy-eligible turnover has dropped by almost 4% compared to the previous year under review.¹⁾

¹⁾ The detailed analysis relating to the Taxonomy-eligibility and Taxonomy-alignment of turnover covers 92% of consolidated turnover, since this is recorded with the required level of detail in our systems. The difference in the Taxonomy-eligible turnover share compared to last year is largely because the Taxonomy-eligible share this year relates to the entire consolidated turnover, whereas last year it related to the turnover covered by the detailed analysis.

As set out above, the alignment criteria for economic activity 3.5. were not met in full for the 2022 financial year, so no Taxonomy-aligned turnover can be declared.

CapEx key figure

For the CapEx key figure, the denominator covers capital expenditure in the context of additions to Property, plant, and equipment, and Intangible assets, as well as Rights of use according to IFRS 16 before depreciation/amortisation and any revaluations for the financial year under review and without amendments to the fair value. In the 2022 financial year, this amounted to EUR 66.2 million. Again, the CapEx key figure must be calculated in relation to both Taxonomy-eligible and Taxonomy-aligned economic activities. According to point 1.1.2.2 of Annex I to the Delegated Regulation (EU) 2021/2178, the numerator equals to the part of the capital expenditure that is any of the following:

- a) related to assets or processes that are associated with Taxonomy-aligned (or Taxonomy-eligible) economic activities, or
- b) part of a plan to expand Taxonomy-aligned economic activities or to allow Taxonomy-eligible economic activities to become Taxonomy-aligned ('CapEx plan'), or
- c) related to the purchase of output from Taxonomy-aligned (or Taxonomy-eligible) economic activities and individual measures enabling the target activities to become low-carbon or to lead to greenhouse gas reductions [...].

All the additions were analysed, primarily based on the relevant project descriptions, to determine how far they can be assigned to one of these three categories.

In relation to the Taxonomy-eligible CapEx, the capital expenditure that can be assigned completely to economic activity 3.5. (EUR 0.8 million) is relevant in category a). No relevant capital expenditure was identified in category b), since no CapEx plan was formulated in 2022 in the context of the Taxonomy. The Taxonomy-eligible CapEx in category c) is supplemented by the acquisition of Taxonomy-eligible services and products (EUR 26.3 million). These acquired items can be assigned to the economic activities 'Manufacture of low carbon technologies for transport' (activity 3.3), 'Electricity generation using solar photovoltaic technology' (activity 4.1), 'Construction of new buildings' (activity 7.1), 'Renovation of existing buildings' (activity 7.2), 'Installation, maintenance and repair of energy efficiency equipment' (activity 7.3), 'Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)' (activity 7.4), and 'Acquisition and ownership of buildings' (activity 7.7). It was ensured via a clear allocation system that the investments related to these economic activities were not also recorded in the determination of the investments related to the Taxonomy-eligible sales revenues. The total amount of Taxonomy-eligible capital expenditure was EUR 27.1 million, which results in a Taxonomy-eligible CapEx share of 40.9%. As such, the share of Taxonomy-eligible capital expenditure dropped slightly compared to last year (45.0%). No Taxonomy-aligned CapEx can be declared for the 2022 financial year. As far as the capital expenditure related to economic activity 3.5. is concerned, this is due to the fact that the alignment criteria are not met (see above). Taxonomy-alignment could not be proved for acquisitions under category c) either.

OpEx key figure

For the OpEx key figure, the denominator covers direct, non-capitalised costs related to research and development, building refurbishment measures, maintenance and repairs, and short-term leases according to IFRS 16. The total of this operating expenditure was EUR 45.1 million in the 2022 financial year.

Again, the OpEx key figure must be calculated in relation to both Taxonomy-eligible and Taxonomy-aligned economic activities. According to point 1.1.3.2 of Annex I to the Delegated Regulation (EU) 2021/2178, the numerator equals to the part of the operating expenditure that is any of the following:

- a) related to assets or processes associated with Taxonomy-aligned (or Taxonomy-eligible) economic activities, including training and other human resources adaptation needs, and direct non-capitalised costs that represent research and development, or
- b) part of the CapEx plan to expand Taxonomy-aligned economic activities or allow Taxonomy-eligible economic activities to become Taxonomy-aligned within a predefined timeframe, or
- c) related to the purchase of output from Taxonomy-aligned (or Taxonomy-eligible) economic activities and to individual measures enabling the target activities to become low-carbon or to lead to greenhouse gas reductions [...].

To determine the numerator, the expenditure recorded in the relevant accounts was examined in terms of its Taxonomy-eligibility. The operating expenditure that can be assigned completely to economic activity 3.5. is relevant in

category a). This amounts to EUR 12.3 million. No relevant operating expenditure was identified in category b), since no CapEx plan was formulated in 2022 in the context of the Taxonomy. Acquisitions of Taxonomy-eligible products and services can be assigned to category c) in relation to the economic activities 7.2 'Renovation of existing buildings', 7.5 'Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings', and 7.6 'Installation, maintenance and repair of renewable energy technologies' (EUR 1.8 million). It was ensured via a clear allocation system that these operating expenses were not also recorded in the determination of the operating expenditure related to the Taxonomy-eligible sales revenues. The total amount of Taxonomy-eligible operating expenditure was EUR 14.1 million, which results in a Taxonomy-eligible OpEx share of 31.3%. This figure was 22.2% for the 2021 year under review. No Taxonomy-aligned OpEx can be declared for the 2022 financial year. Since economic activity 3.5. does not meet the alignment criteria (see above), the operating expenditure in this regard is not Taxonomy-aligned either. Taxonomy-alignment could not be proved for acquisitions under category c) either.

Key figures in accordance with the EU Taxonomy – 2022 turnover

Economic activities	Codes	Absolute turnover (EUR K)	Share of turnover (%)	Criteria for a substantial contribution						DNSH criteria ('do no significant harm')						Taxonomy-aligned share of turnover year N-1 (%)	Category (enabling activities) E	Category (transitional activities) T
				Climate change mitigation (%)	Climate change adaptation (%)	Water and marine resources (%)	Circular economy (%)	Pollution (%)	Biodiversity and ecosystems (%)	Climate change mitigation (Y/N)	Climate change adaptation (Y/N)	Water and marine resources (Y/N)	Circular economy (Y/N)	Pollution (Y/N)	Biodiversity and ecosystems (Y/N)			
A. Taxonomy-eligible activities																		
A.1. Environmentally sustainable activities (Taxonomy-aligned)																		
Turnover from environmentally sustainable activities (Taxonomy-aligned) (A.1.)		0	0	0	0	0	0	0	0									
A.2. Taxonomy-eligible, but not environmentally sustainable activities (Taxonomy non-aligned activities)																		
Manufacture of energy efficiency equipment for buildings	3.5.	889,485	49.8															
Turnover from Taxonomy-eligible, but not environmentally sustainable activities (Taxonomy non-aligned activities) (A.2.)		889,485	49.8															
Total (A.1. + A.2.)		889,485	49.8															
B. Taxonomy non-eligible activities																		
Turnover from Taxonomy non-eligible activities (B)		897,901	50.2															
Total (A+B)		1,787,386	100.0															

Key figures in accordance with the EU Taxonomy – 2022 capital expenditure

Economic activities	Codes	Absolute CapEx (EUR K)	Share of CapEx (%)	Criteria for a substantial contribution						DNSH criteria ('do no significant harm')						Taxonomy-aligned share of CapEx year N-1 (%)	Category (enabling activities) E	Category (transitional activities) T
				Climate change mitigation (%)	Climate change adaptation (%)	Water and marine resources (%)	Circular economy (%)	Pollution (%)	Biodiversity and ecosystems (%)	Climate change mitigation (Y/N)	Climate change adaptation (Y/N)	Water and marine resources (Y/N)	Circular economy (Y/N)	Pollution (Y/N)	Biodiversity and ecosystems (Y/N)			
A. Taxonomy-eligible activities																		
A.1. Environmentally sustainable activities (Taxonomy-aligned)																		
CapEx for environmentally sustainable activities (Taxonomy-aligned) (A.1.)		0	0	0	0	0	0	0	0									
A.2. Taxonomy-eligible, but not environmentally sustainable activities (Taxonomy non-aligned activities)																		
Manufacture of low carbon technologies for transport	3.3.	7,310	11.0															
Manufacture of energy efficiency equipment for buildings	3.5.	840	1.3															
Electricity generation using solar photovoltaic technology	4.1.	489	0.7															
Construction of new buildings	7.1.	5,211	7.9															
Renovation of existing buildings	7.2.	1,154	1.7															
Installation, maintenance and repair of energy efficiency equipment	7.3.	99	0.1															
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	7.4.	85	0.1															
Acquisition and ownership of buildings	7.7.	11,912	18.0															
CapEx for Taxonomy-eligible, but not environmentally sustainable activities (Taxonomy non-aligned activities) (A.2.)		27,100	40.9															
Total (A.1. + A.2.)		27,100	40.9															
B. Taxonomy non-eligible activities																		
CapEx for Taxonomy non-eligible activities (B)		39,105	59.1															
Total (A+B)		66,205	100.0															

Key figures in accordance with the EU Taxonomy – 2022 operating expenditure

Economic activities	Codes	Absolute OpEx (EUR K)	Share of OpEx (%)	Criteria for a substantial contribution						DNSH criteria ('do no significant harm')						Taxonomy-aligned share of OpEx year N-1 (%)	Category (enabling activities) E	Category (transitional activities) T
				Climate change mitigation (%)	Climate change adaptation (%)	Water and marine resources (%)	Circular economy (%)	Pollution (%)	Biodiversity and ecosystems (%)	Climate change mitigation (Y/N)	Climate change adaptation (Y/N)	Water and marine resources (Y/N)	Circular economy (Y/N)	Pollution (Y/N)	Biodiversity and ecosystems (Y/N)			
A. Taxonomy-eligible activities																		
A.1. Environmentally sustainable activities (Taxonomy-aligned)																		
OpEx for environmentally sustainable activities (Taxonomy-aligned) (A.1.)		0	0	0	0	0	0	0	0									
A.2. Taxonomy-eligible, but not environmentally sustainable activities (Taxonomy non-aligned activities)																		
Manufacture of energy efficiency equipment for buildings	3.5.	12,293	27.3															
Renovation of existing buildings	7.2.	1742	3.9															
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	7.5.	43	0.1															
Installation, maintenance and repair of renewable energy technologies	7.6.	38	0.1															
OpEx for Taxonomy-eligible, but not environmentally sustainable activities (Taxonomy non-aligned activities) (A.2.)		14,116	31.3															
Total (A.1. + A.2.)		14,116	31.3															
B. Taxonomy non-eligible activities																		
OpEx for Taxonomy non-eligible activities (B)		30,956	68.7															
Total (A+B)		45,072	100.0															

04

Environmental protection



The focus is on:

- Avoiding negative impacts on the environment
- Using finite resources sparingly
- Preserving biodiversity

30 %

less crude oil consumption by using pine oil for StoTherm AimS®

By 2025

all production facilities worldwide will be ISO 14001-certified





Environmental protection

Contents

- 35 What environmental protection means to us
- 35 Our commitment to environmental protection
- 37 An overview of our fields of action
- 39 What environmental protection goals we have achieved

The material topics handled in this section are:

- Waste avoidance
- Material use and innovation
- Environmental management

GRI indicators handled in this section:

GRI GRI 3-3; 301-1; 303-1 to 303-5; 304-3; 306-1; 306-3



What environmental protection means to us

Environmental protection is about preventing the endangerment of the natural foundations of human life by humans themselves. The goal can be achieved by preventing and reducing environmental degradation, and restoring natural resources as much as possible. We make use of all three options by systematically avoiding adverse effects on the environment, reducing the generation of waste and the use of hazardous materials and harmful substances, and promoting biodiversity.

Climate protection is a special aspect of environmental protection. Due to the particularly high priority in society, policy, the construction sector, and our company, we consider climate and energy-related environmental aspects separately (see section 3, [page 18](#)). Our activities relating to the circular economy are also presented in a separate section due to their particularly great importance for Sto (see section 5, [page 42](#)).

Environmental protection is not a state, but a process

We see environmental protection as a continuous process in which we constantly readjust our goals – in line with what is technically possible and economically feasible. As early as 2009, we began to firmly establish environmental goals and the environmental protection measures derived from them in an environmental programme. The specifications aim to continuously improve the direct and indirect environmental performance and to minimise the operational consumption

of resources, materials, and energy as far as possible, taking into account utilisation-related, technical, and economic issues.

Our environmental programme describes the measures taken or under consideration to achieve the environmental goals. On the one hand, the programme specifies the long-term goals of our environmental policy and the steps to achieve them. On the other, it shows the need for action arising from the significant environmental aspects. In doing so, the environmental programme represents a concrete working basis of the organisation for environmental protection. All employees are called upon to do their part to protect the environment in the areas for which they are responsible and are able to act. And we also go beyond legal standards and commit to voluntary environmental management standards such as ISO 14001.

Our commitment to environmental protection

The aim of our environmental protection measures is to minimise the impact of our business activities on the environment. We are committed to the efficient and sustainable use of naturally limited resources, and ensure that the necessary processes are implemented and continuously improved. By applying state-of-the-art technologies with high energy and ecological efficiency, we conserve natural resources and reduce environmental pollution. Through expert action and binding agreements with authorities, preventive and safety measures are developed to avoid accidental emissions.

Our environmental protection roadmap



By 2025

- environmental management systems in accordance with ISO 14001 will have been introduced at all production sites and certified accordingly.
- We will reduce the critical hazardous materials and harmful substances in our products – by 5 % each year or earlier than required by law.
- We will reduce waste from and at our own production facilities – by an average of 5 % each year (relative to total tonnage).
- We will determine the relevance of water stress at our production sites and optimise our water management within the framework of environmental management in accordance with ISO 14001.
- We will increase the protection of biodiversity and implement operational biodiversity management.
- At least 50 % of our direct suppliers will be ISO 14001 or EMAS-certified (measured by procurement volume).

Our goals are geared towards continuous improvement in environmental protection. When setting and evaluating goals, the following factors are taken into account: legal requirements, significant environmental aspects, technological options, financial, operational and business conditions, and the interests of relevant stakeholders. Potential environmental impacts are considered in defined categories to be direct environmental aspects:

- Water (inlets into and outlets from bodies of water)
- Ground (consumption of space, use of ground, or contamination of ground)
- Air (emissions into the atmosphere)
- Resources (consumption of natural resources/ raw materials)
- Release of energy (heat, radiation, vibrations, noise, light)
- Waste (production of waste/by-products, disposal)
- Hazardous materials.

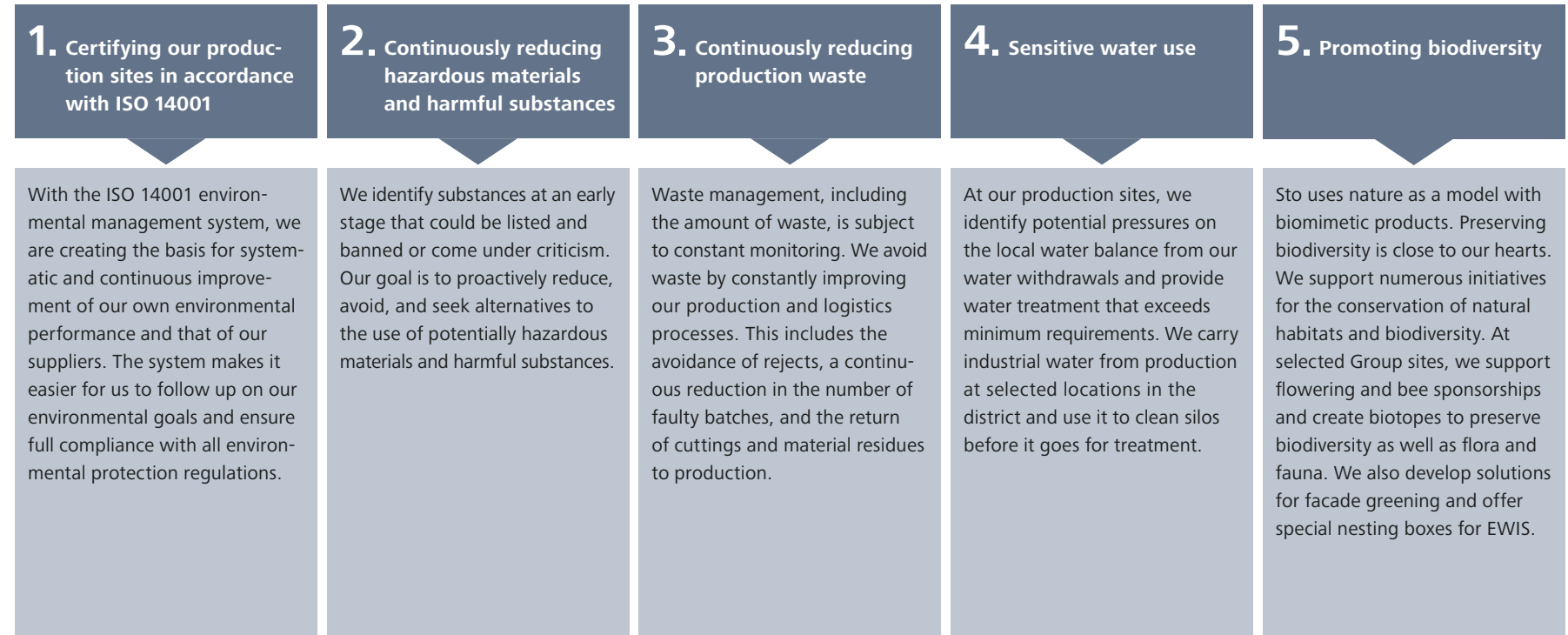
Improving our environmental performance is part of our integrated management system and concerns organisational structure, planning activities, responsibilities, behaviours, procedures, and resources. The principles of 'Responsible Care' initiated by the chemical industry worldwide, an initiative for the continuous improvement of health protection, environmental protection, and safety in companies in the chemical industry, serve as a basis for us to constantly make our logistics and production processes safer and more environmentally friendly.

For the strategic identification and evaluation of environmental aspects, we have already introduced environmental management systems in accordance with ISO 14001 at many locations, in the framework of which environmental aspects are identified, evaluated, communicated, and documented

once a year. The analysis covers the entire product life cycle from research and development, procurement, and production to distribution and disposal. In addition, the evaluation also includes new or changed processes or services, or serious changes in quantity. On this basis, we derive concrete environmental goals, such as the reduction of waste through optimised processes. The results are validated through audits with the respective process owners.

A summary of all the significant environmental aspects across all locations is part of the annual management review, which forms the basis for reporting the status of environmental goals, environmental programmes, and relevant stakeholders' comments to management.

An overview of the main points of our environmental protection strategy



An overview of our fields of action

Replacing finite resources with renewable raw materials

The most important basic materials sourced by the Sto Group are base materials such as sand, cement, and lime, speciality chemicals and raw materials based on crude oil. Binders and pigments are among the most important input materials in terms of value. The other primary products include insulants, meshes, and containers. We pursue an efficient use of scarce resources and continuously analyse optimisation potential, especially as an efficient use of resources also has a positive economic impact. In 2022, we purchased approx. 600,000 tonnes of raw materials. Of this, approx. 380,000 tonnes consisted of filler material, which we use in renders, plasters, paints, mortars, and insulants. This was followed by binders, amounting to approx. 145,000 tonnes, which we process for organically or mineral-bound products.

Purchase volumes of the most important raw materials in 2022

Raw material	Quantity in t
Binding agent	145,725
Colouring agent	9,224
Filler materials	379,049
Additives	12,024
Solvents	2,420
StoCretec	66
Sands	58,602
Total	607,115

In the medium to long term, our strategic measures to conserve resources include changing over to renewable raw materials from sustainable sources and using recycled construction and basic materials. In the short term, however, we do not yet see sufficient availability and only limited economically viable applications, which is why their use is still limited to pilot projects. The quantities of renewable raw materials we purchase are therefore not yet recorded separately by us. This should happen at the latest when we can buy or use larger quantities.

One example of the replacement of finite resources with renewable raw materials is our innovative product line, AimS®. Of the binding agents used here, 30% are based on pine oil rather than crude oil. In addition, AimS® products do not contain biocides. And technical features have not been sacrificed. This allows us to permanently establish resource-saving and environmentally friendly products in the construction industry.

The availability of our most important basic and raw materials are continuously recorded and evaluated in procurement, and appropriate measures are initiated in critical situations. The sources of supply of our basic and raw materials can be classified as not being critical, insofar as sufficient availability is certified or indicated for the coming years and decades. Nevertheless, short-term shortages due to unforeseen events and market fluctuations cannot be ruled out, which is why procurement issues are a central part of our risk analysis system.

Avoiding hazardous materials and harmful substances

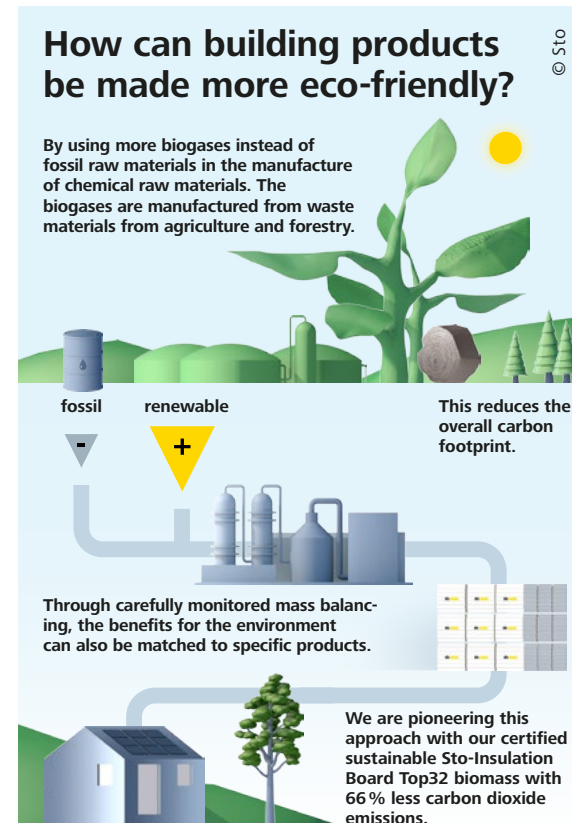
The environmental impact of our products are clearly set out in Safety Data Sheets, test reports, and Environmental Product Declarations. The information is based on material

analyses, life cycle assessments, tests for harmful substances, and emission measurements according to international standards. At the same time, we focus on having parts of our product range certified with environmental seals of approval, e.g. by the organisations TÜV SÜD, natureplus, or RAL (Blue Angel). A detailed description of our use of eco-labels can be found in section 6, [page 52](#).

We are always working to make our products more environmentally compatible and support the measures launched in 2022 by the EU Commission to create a European assessment framework for chemicals and materials that are 'safe and sustainable by design'. An important component for the environmental assessment of our raw materials is the Regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH). Our research and development department is responsible for implementing the requirements of REACH and the EU's Chemicals Strategy for Sustainability, and analyses new requirements at an early stage.

This means we can ensure that any hazardous materials and harmful substances, or 'chemicals of concern' in our products are identified at an early stage and replaced by more environmentally friendly alternatives. For us, the pursuit of product stewardship or ownership is the basis of our business activities. This includes identifying, assessing, and reducing risks to the environment and health. The production processes in our company and our supply chain are indirectly affected by these product ecological optimisation steps, as, for example, switching production to other raw materials or avoiding preservatives can have a direct impact on them.

In recent years, we have been able to substitute a number of substances that are harmful to health as part of this continuous improvement process for more environmental protection.





‘We have been working consistently for many years to permanently reduce the use of potentially hazardous materials and harmful substances, and to look for alternatives. By using pine oil, obtained from wood waste residues, we have managed to use **30 % less crude oil as a binder in our render and plaster.** This is what StoTherm AimS® stands for.’

Theresia Holder, Technical Support, Approvals and Testing Procedures, Sto SE & Co. KGaA, Stühlingen, DE

Air emissions

Sto SE & Co. KGaA does not operate any facilities at its operating sites that require a permit or measurement according to the Federal Immission Control Act (BImSchG), which are relevant in terms of air pollution control. Systems containing fluorinated greenhouse gases, e.g. refrigerants, are systematically recorded and regularly checked for leaks by a certified specialist company. We are not subject to any special requirements outside of Germany either. To live up to our voluntary commitment to the environment and health beyond the legally required level, we carry out emission measurements at selected production sites on a voluntary basis.

Optimising waste avoidance

The waste we generate from production consists predominantly of sand and dust fractions, and the sludge from the water treatment unit (Enviro sludge). Primarily, these are residues from the cleaning of transport silos and production facilities, especially through necessary cleaning processes during a product changeover. Other waste corresponds to common fractions from industrial operations and is collected and recycled separately according to waste type. This concerns, for example, timber, metal, plastic, glass, paper, construction waste, and insulation materials from sample production and application technology. Our efforts to reduce waste of all kinds are based on a clear hierarchy of priorities: waste should be avoided in the first place, if not it should be recovered or recycled or used to generate energy, and only

as a last resort should it be disposed of safely. As we attach particular importance to the topic of recycling our products and packaging (see section 5, [page 42](#)), we focus on reducing waste from the production process and avoiding sending waste to landfill in the field of action Environmental Protection.

In order to optimise analyses on quantity and type of waste, as well as to initiate improvement measures, the refinement of the database is an integral part of the sustainability strategy and our newly implemented data management software. We believe that no waste should be allowed to enter the environment in an uncontrolled manner, and that in the medium to long term all waste should be recycled and returned to the material cycle. We are therefore pursuing the ambitious goal of ensuring that absolutely none of our production and site waste is disposed of in landfill worldwide by 2030. We are integrating this measure into our environmental management and therefore make the link between the Group-wide expansion of environmental management systems according to ISO 14001 and the concrete avoidance of waste disposal in the form of landfilling. In a first step, we gather relevant information about the current disposal routes of our waste fractions in order to then successively sound out alternative recycling routes and implement optimisations with partners from the disposal and recycling industry.

By **2030**
we want to send no production or site waste to landfill

Before disposing of waste, we always check whether and how it can be recycled. Only if this is really not an option or the effort required for this is not economically justifiable will the waste be disposed of. Waste that Sto disposes of is handed over to properly certified, local disposal companies. Sto does not import, export, or treat hazardous waste, nor does it transport it itself. This kind of waste is collected in the proper way by certified disposal companies and disposed of in accordance with the legal requirements. Avoiding and minimising production waste is promoted through constant process optimisation of the operational processes. This includes the internal recycling of material flows, as well as the project- and building-specific production and delivery of our goods. In order to ensure the best possible recycling of waste, it is necessary to separate the different types of waste. To do this, we have set up collection stations at the sites where various recyclable waste – such as glass, paper, or timber – is collected by type and then forwarded to external recycling companies for recycling. In countries that do not have appropriate collection and recycling systems, we want to proactively promote recycling opportunities and successively eliminate sending waste to landfill.

Efficient water management

A good water supply is essential for smooth production. That is why the efficient use of water is important to us and we are continuously working to further reduce our discharges into water bodies. As the availability of water as a resource is highly dependent on regional conditions, we assess the environmental aspect of water from a local perspective. Comprehensive water management also includes the collection of key data in the future. Recording this data at Group level has been started.

At the ISO 14001-certified sites, the resource of water was assessed as not being critical in each case, or any risks were classified as acceptable, so no special measures had to be taken apart from standard measures such as wastewater treatment. Our wastewater treatment plants are regularly inspected and the results are recorded in wastewater reports. We have implemented effective management processes and monitoring analytics to ensure compliance with the limiting values.

The German Wastewater Ordinance deals with product groups relevant to Sto, in particular emulsion paints and varnishes, in a separate annex. Wastewater from production facilities is treated according to the state of the art where it occurs before it is fed into the municipal wastewater treatment system. Annex 9 of the German Wastewater Ordinance defines substances of concern. We have these regularly checked by an independent laboratory.

For the discharge of commercial wastewater, we have water-law decisions from the relevant authorities. The emission limits set out there are checked unannounced four times a year by an independent measuring body. The measurement results are submitted to the competent monitoring authority. The monitoring results from past years showed that the established limiting values are not exceeded.

Supplying renders, plasters, paints, and varnishes in any conceivable colour quickly and reliably is one of our core competences. This is made possible by the decentralised tinting stations at each sales location. Sto is aware of its responsibility to carefully clean water contaminated by paint residues and residues before it is fed into the sewer system.

Regularly maintained wastewater treatment units are installed in all tinting stations and in production, in which the wastewater produced is cleaned. The pretreated wastewater is discharged into the sewer system via filter bags. After drying, the full filter bags are disposed of separately as construction waste and residual waste.

An operating diary is kept for each cleaned batch, and the wastewater quantities and pH values, and other parameters are documented each day to check compliance with the limiting values.

The water for cleaning our transport silos in Stühlingen comes from production and is circulated two to three times before it is fed pre-cleaned to the municipal wastewater treatment plants.

Determining water stress

As part of our risk analysis, we want to introduce the element of water stress analysis and take into account the varying and potentially changing water availability at each location due to climate change. We also include the possible impact of natural disasters and extreme weather events in the risk analysis. Our goal is to identify potential risks and improvements at our sites and to use as little water as possible, especially in water stress areas. We want to do this to ensure the necessary precaution by means of site-specific measures and at the same time take into account the interests of the residents in the vicinity of our sites.

Promoting biodiversity

Sto has no sites in ecologically sensitive areas. Nevertheless, we are looking into the possibility of upgrading our sites to be more biodiverse. Back in 2014, we participated in a research-supported funding project called 'Naturnahe Gestaltung von Firmengelände' (Nature-oriented design of company premises) and had the company headquarters in Stühlingen and the Donaueschingen site expertly analysed and evaluated. We have transferred selected recommendations to other sites, involved local experts in nature-oriented design, and followed these up in the context of construction measures, trainee projects, and flower sponsorships. In Germany, we have taken on two flower sponsorships, and set up beehives and insect hotels at various locations.

In Austria we support the bee protection initiative 'Hektar Nektar' (hectares of nectar) and have transformed all existing green areas at Sto SalesCentres into flower meadows. To promote biodiversity in residential areas we also provide special nesting boxes for external wall insulation systems.

17 of the 33 production facilities worldwide are ISO 14001-certified

What environmental protection goals we have achieved

Production sites certified in accordance with ISO 14001

In 1998, we began to have our production facilities certified in accordance with the standard ISO 14001. This standard covers the key environmental protection issues of waste avoidance, raw material costs, material innovation, and environmental management for both the Sto Group and its suppliers. The systematic anchoring of environmental protection at both the product level and the overall company level is reflected in the following measures:

- By the end of 2022, we had introduced an environmental management system in accordance with ISO 14001 at 17 of our total of 33 production facilities.
- In 2022, 67 % of Sto SE & Co. KGaA's direct procurement volume came from suppliers certified in accordance with ISO 14001 or the Eco-Management and Audit Scheme (EMAS). We want to be able to achieve a quota of at least 51 % for the whole of the Sto Group by 2025. In 2022, Sto SE & Co. KGaA was responsible for approx. two thirds of the Group's direct procurement volume.

- Using our ESG software and starting from the 2021 year under review, we collect data from all companies in the Sto Group across the full range of environmental protection issues that are relevant to us.

Reducing hazardous materials and harmful substances

As early as the 1980s, we were starting to continuously reduce and avoid the use of solvents and plasticisers. This is a continuous process to optimise the environmental compatibility and health protection of our products. High-performance products from Sto, such as dispersion silicate primers for interior and exterior use, meet the highest technical requirements. They are also free of solvents and plasticisers, as well as being low in emissions and preservatives.

Since 2010, for example, we have been using exclusively encapsulated biocides as film protection agents in our facade coatings. This means less biocide use, combined with a longer duration of action at the same time. Alternatively, in combination with intelligent facade coatings, we offer complete solutions that do not require biocides at all. These biomimetic products have been awarded the 'Blue Angel' for environmentally friendly thermal protection. In addition, we cooperate with research institutes to further investigate the possible environmental pollution and water pollution caused by biocides, and to reduce potential hazards. A large part of our product range meets the highest quality levels of the requirements regarding hazardous materials and harmful substances for building products specified by the DGNB (German Sustainable Building Council).



The fog-basking beetle from the Namib Desert in Africa inspired the development of Sto's facade paints. Facade surfaces remain dry, clean, and free of algae.

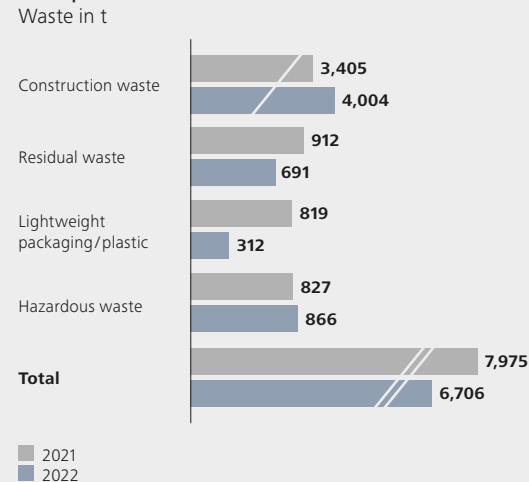
We use the biomimetic principle and do not use film protection agents. Sto facade paints are based on the principle of the fog-basking beetle from the Namib desert in Africa, ensuring that dew and fog simply run off in no time, and the surface remains dry, clean, and free of algae. Additional intelligent technologies protect the facade from fading or getting too warm in the sun. We replaced the now banned flame retardant HBCD (hexabromocyclododecane) in EPS insulation board in 2015 and switched to the toxicologically safe flame retardant polymer FR at an early stage. In Sweden, we have also been successfully producing and marketing the first EPS insulation boards without additional flame retardants containing halogen since 2015.

To determine, quantify, and publish the environmental impacts of our products, we use environmental product declarations and make them available on the corresponding product pages online. In 2022, around 600 products had an Environmental Product Declaration (including 'model EPDs' from associations, which we can assign to our products as a member of the corresponding associations).

Waste indicators determined

In 2021, we started to centrally record the total amount of waste and to carry out detailed evaluations by waste type. The total amount of waste accumulated by the Sto Group in 2022 was around 12,370 tonnes (2021: around 12,700 tonnes). In relation to the 12.4% increase in turnover for the Sto Group, the volume of waste has decreased considerably.

Waste balance of the ISO 50001-certified companies in 2021 and 2022¹⁾



¹⁾ Not including Viacor GmbH.

For the ISO 50001-certified companies, we have breakdowns by waste type from the years 2021 and 2022 (see section 9, page 75). These cover approximately half of the Sto Group's total waste volume.

A major reason for the change between 2021 and 2022 is the changing data basis of the subsidiaries. The volume of waste generated for the ISO 50001-certified companies has fallen in 2022 by 15.9%, from 7,975 tonnes to 6,706 tonnes. The most important types of waste were construction-site waste (4,004 tonnes), residual waste (691 tonnes), and light packaging/plastic (312 tonnes). There were 866 tonnes of hazardous waste.

We also use the data on waste quantities and types for production-related analyses and improvement measures. For example, based on the data for Sto SE & Co. KGaA and StoCretec GmbH with a total production volume of 455,804 tonnes and a total waste volume of 4,040 tonnes in 2022, around 8.9 kg of waste was produced per tonne produced (with the total waste volume not only referring to waste from production, but primarily originating from it). In 2021, the total production volume was 479,017 tonnes and the total waste volume was 4,896 tonnes, resulting in a waste volume of approximately 10.2 kg per tonne produced. Part of our strategic measures to reduce waste is to analyse fluctuations and continue to specifically manage them downwards.

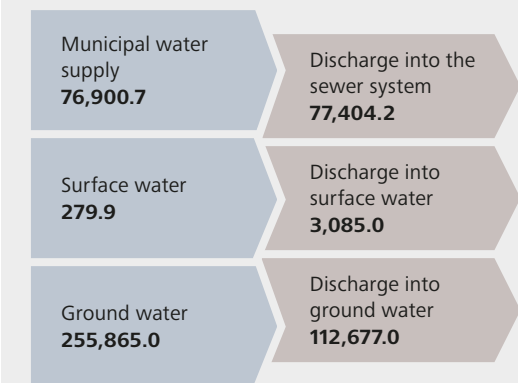
Low water consumption

At a total of approx. 333,000 m³ (2021), the water withdrawal of all Sto production sites is at a low level in absolute terms. Accordingly, water consumption has only been a less significant topic in the ISO 14001 audits to date. In the coming years, we plan to check whether production sites are located in water stress areas with a view to our water management goals. Continuing from this, appropriate measures for risk minimisation and prevention of water scarcity are derived.

The discrepancies between the amount of water removed and the amount of wastewater returned result from the relatively large proportions that remain in the respective products during wet production (especially dispersion products).

Sto Group water balance 2021¹⁾

Figures in m³



Water withdrawal (blue)
Water recirculation (grey)

¹⁾ Data for 2022 was not available in full by the time this Sustainability Report went to press.



Flower meadow at the Donaueschingen site (Schwarzwald-Baar district). Photo: Axel Schütz, Bräunlingen, DE

Preserving and promoting biodiversity

‘Baden-Württemberg blüht auf’ (Get Baden-Württemberg blooming and blossoming) is the motto of a campaign aimed at encouraging biodiversity that was launched by the Federal State Farmers’ Association of Baden-Württemberg in conjunction with its district branches. We are participating in this initiative with two flower sponsorships: 17,000 m² of flowering areas have been created by two farmers in the Stühlingen region and the Schwarzwald-Baar district with our support. This provides a vital habitat for bees and other insects, and encourages biodiversity. To increase biodiversity on the Verotec GmbH property in Lauingen, trainees planted a wildflower meadow in 2019 and carried out a tree planting campaign in 2021. The plants were selected on the basis of their insect-friendliness. In addition, the regional climatic conditions and the possibilities of the terrain were taken into account as best as possible.



Wildflower meadow at the Sto Ges.m.b.H. premises in Villach. Photo: Marius Sabo, Villach, AT

In Austria, Sto Ges.m.b.H. has launched a comprehensive programme to support bees. A competition of ideas among employees prompted the sustainability team there to support young beekeepers in raising new bee colonies. The company has now supported six beekeepers together with the bee protection initiative ‘Hektar Nektar’ (hectares of nectar) and received the silver ‘Unternehmen mit Herz’ (company with heart) badge for its sustainable commitment. What’s more, our SalesCentres have many green spaces – areas that are not only meant to look beautiful, but since 2019 have also made a valuable contribution to climate and species protection. To this end, all existing green spaces at Sto SalesCentres in Austria have been transformed over recent years into a colourful home for small animals and insects. In 2022, the beehives of Sto Ges.m.b.H. gave a wonderful yield of honey, so it was possible to gift a jar to all employees at the Austrian subsidiary.

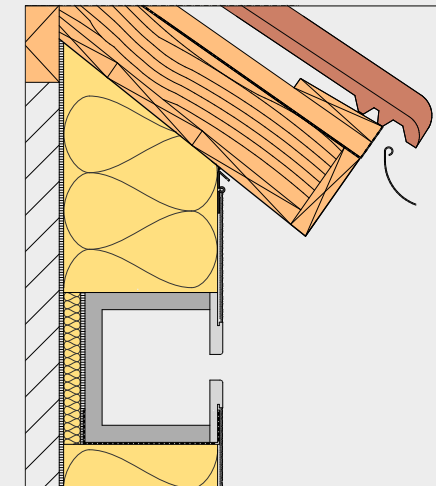


Tree-planting campaign in the Black Forest as part of the launch of our AimS® product line. Photos: Jan Guhl, Stühlingen, DE

The topic of biodiversity is also close to our hearts at product level, as we ourselves have developed and market products with biomimetic active principles. Stimuli from nature require an intact environment with a high level of biodiversity. We would like to support this – and also benefit from it in the future. In order to create replacement roosts for birds and bats in the course of construction and renovation measures, we have developed nesting boxes that can be integrated into a Sto facade external wall insulation system. The nesting box base is made of wood concrete, which is rated as particularly suitable by biologists and conservationists.

EWIS nesting boxes

→ On new or renovated buildings, birds and bats struggle to find room to raise their young. Special nesting boxes created by Sto can be integrated into or placed on top of a facade insulation system and provide a species-appropriate habitat for the animals.



05 Circular economy



The focus is on:

- Recycling products and packaging
- Reusing raw materials
- Long useful life of products and construction works

70 %

of our product and construction-site waste will be recycled by 2025

20 %

of our products will be made certified recyclable by 2025



Circular economy

What circular economy means to us

Our society predominantly acts according to the linear principle that finite raw materials are extracted, and products are manufactured and used until they are finally disposed of. Not only are scarce and valuable raw materials lost in the process, but large quantities of greenhouse gases are also emitted and waste is produced. With the growth of the world economy, global consumption of raw materials has quadrupled to over 90 billion tonnes in the last 50 years.

The construction sector has a crucial role to play when it comes to resource conservation. It operates very resource-intensively and still predominantly according to this linear principle. Globally, the construction sector uses about 30–40% of the resources extracted. In Germany, it is recording steadily increasing waste volumes and was responsible for around 55% of waste generation in 2019.

One of the biggest challenges on the way to a sustainable economic system is to disconnect resource consumption from economic growth. The concept of the circular economy focuses on conserving natural resources, avoiding waste, and protecting people and the environment by recycling waste in an environmentally sound way.

The circular economy is essential for regulatory requirements

In March 2020, the EU Commission published its action plan for the circular economy as part of the EU Green Deal. Among other things, the plan requires the construction industry to increase the life-cycle performance and durability of buildings.

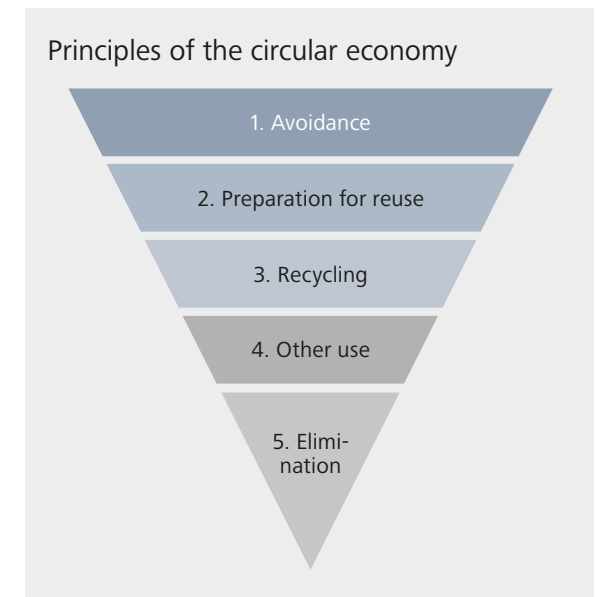
Only by doing so can this sector achieve the EU goals of a climate-neutral, resource-efficient and competitive economy. The recycling of construction and demolition waste is the focus here, as it is causing a growing waste stream and existing structures represent a potential store of raw materials. The EU Commission’s aim to increase material efficiency reflects the close links between climate, energy, and resource efficiency and the management of construction and demolition waste. In order to achieve the EU’s goals for the construction industry, raw materials must be increasingly replaced by processed secondary raw materials in the production of building materials, and the recycling of construction and demolition waste must gain a significantly higher share in the deconstruction phase of buildings.

Our commitment to circular economy

We support the goal of a circular economy and take responsibility for the products and systems placed on the market. Due to its high priority, we have anchored the circular economy in our sustainability strategy as one of six material topics. Although the quantities of waste generated directly by Sto products are relatively small, we want to play an active role in shaping the change towards a circular economy. In doing so, we rely on cooperation with and support from our customers, the waste management industry, science, and policy. Circular economy requires cooperation. We work in various industry

associations and working groups to jointly develop practical collection processes and innovative recycling solutions. This is because the implementation of a functioning circular economy; for example in the dismantling of buildings, often requires sector-wide concepts in addition to entrepreneurial initiative.

For Sto, the commitment to the circular economy means actively shaping waste management in the sense of the ranking shown in the chart and thus following the principles enshrined in the German Circular Economy Act.



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- 46 What recycling goals we have achieved

The material topics handled in this section are:

- Product recyclability
- Long useful life

GRI indicators handled in this section:

GRI 3-3; 301-2; 301-3; 306-1; 306-2



This law demands a clear order of priority of measures, which we follow: first, waste should be avoided as far as possible. Then, products should be reused and recycled. If this is not possible, waste must be recycled in another way, e.g. thermally and energetically. Disposal, in particular landfilling, should be avoided altogether or kept to a minimum. Our key measures are aimed at avoiding the disposal of waste as far as possible, improving the recycling of our products and packaging, optimising the reuse options of the raw materials

used, and extending the useful life of our products and the structures equipped with them. Sto is currently focusing on the recycling of packaging, construction-site residues, in particular insulation residues and external wall insulation systems (EWIS), as larger quantities of waste are to be expected in this area in the future and EWIS are absolutely essential, especially for the energy-efficient refurbishment of existing buildings. In addition, bonded and anchor-fixed EWIS harbour functional advantages that set Sto

apart as a technology leader in the field of EWIS and support durability as the overriding goal of the circular economy. In order to optimise information on building products in the event of dismantling, we are supporting an online platform for storing building and material data. The data collected on the platform creates a solid basis for carrying out building-specific analyses of the value, reuse, and recycling potential of the materials used, and thus for promoting the recycling of building materials.

An overview of the main points of our circular economy strategy



Our circular economy roadmap

↓

By 2025

- recycling at least 70 % of product and construction-site waste.
- extending the official useful life of EWIS to over 50 years.
- testing the recyclability of all Sto products and packaging.
- making at least 20 % of our products and one EWIS certified recyclable.
- identifying possible uses of recycled materials in all product groups and, if technically and economically feasible, implementing the use of recycled materials in products.

↓

From 2030

- no Sto packaging materials, or product and construction-site residues will be disposed of in landfill.

Another focus is on projects that provide concrete evidence of the recyclability of our products. This puts us in a position to meet the increasing demand for building products that are certified recyclable. Therefore, we also see opportunities for us in a functioning circular economy. For example, this includes the development of alternative raw material availability and the expansion of our technical expertise.

An overview of our fields of action

Waste avoidance and building retrofitting

According to the Circular Economy Act, waste avoidance is at the top of the five-level hierarchy. We attach a great deal of importance to the durability of our products. In addition to high-quality materials that ensure functional longevity, Sto also attaches particular importance to aesthetic appeal. This is because a facade that satisfies the aesthetic demands of the building owners and the general public in the long term will last longer.

Our external wall insulation systems (EWIS) offer good conditions for this, because they are durable building products with a long useful life and high design diversity. A prerequisite for longevity is regular maintenance and care, which allows EWIS to effortlessly last for the working life of the building.

In addition to individual refurbishment concepts, we offer recommendations of specialist tradespeople, so that the EWIS can be installed professionally and can offer a long useful life. Precise planning of materials and efficient use of all materials on the construction site can also contribute to waste avoidance.

To avoid waste in the sense of a circular economy, EWIS can simply be maintained or reworked with a new coating and continue to be used. In order to extend the useful life of EWIS, to make them more energy efficient and, if necessary, to enhance their appearance, they can be 'doubled up'. In this process, the existing EWIS is not dismantled, but supplemented with an additional insulation layer.

At the production and logistics level, we also pursue the approach of avoiding waste as far as possible by producing and delivering in a project-specific manner, leaving our customers' paints, renders, plasters, or accessories for further use, and donating leftover materials.

In order to optimise the recycling of our containers and packaging, we founded a working group in 2019 that systematically deals with various approaches according to the principle of 'Reduce – reuse – recycle'.

144 t

less CO₂ emissions thanks to recycling carrier waste paper and reusing IBCs

At the heart of this is the examination of the necessity and the required properties of packaging material, e.g. for transport safety, storage, and processing on the construction site. Our emblematic 'yellow pail' is deliberately made of plastic and is therefore stable, hygienic, durable, functional, stackable, and lightweight. It is often reused, e.g. for mixing, or for cleaning, rubbish, or tools. It is made of fully recyclable polypropylene and metal attachments, which is why we are working with disposal partners on take-back systems, sorting, and reprocessing processes to increase the recycling rate. A lack of sorting and purity of the containers means that plastic packaging is often only recycled for energy instead of material.

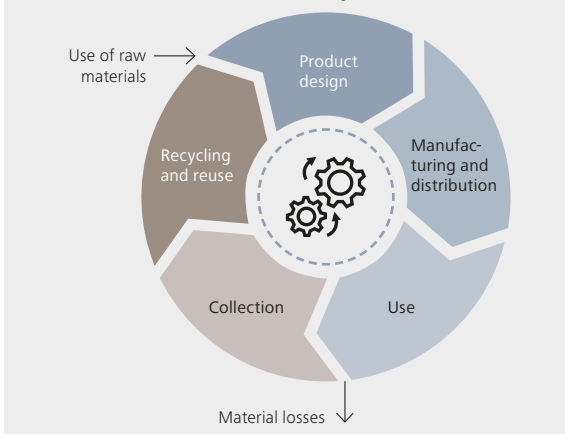
For example, by reusing more than 1,100 intermediate bulk containers (IBC), it was possible to save 42.5 tonnes of steel, 16.8 tonnes of plastic, and the equivalent of 118.3 tonnes of CO₂ emissions. Together with our partner AfB (Work for People with a Disability), we have used IT hardware refurbished in Germany, thereby reducing greenhouse gas emissions and the consumption of valuable resources compared to new production. The non-profit integration company AfB

specialises in refurbishing IT hardware that has been discarded and returning it to the use cycle. In 2022, 421 discarded IT and mobile devices from Sto, mainly PCs, notebooks, and flat screens, were handed over to AfB. By remarketing the devices, which had a total weight of 1,605 kg, 33,063 kg of iron equivalents, 55,397 kg of CO₂ equivalents as well as 215,622 kWh of primary energy and 409,037 l of water were saved.

Reuse and recycling

While direct reuse of external wall insulation systems is practically impossible due to their fixed connection to the building and between components, there are many possibilities for recycling EWIS components. The prerequisite for this is usually the cleanliness and purity of the materials. In principle, the individual EWIS components can be recirculated, as technically feasible options exist for all individual components. Currently, systematic recycling is limited to production waste and offcuts that accumulate on the construction site, especially from insulants, as these are mostly clean and unmixed as offcuts in the installation phase, accumulate in large quantities and provide good conditions for effective recycling. We offer a take-back service for EPS and stone wool insulation residues in Germany. Pure and clean offcuts from the construction site can be collected in recycling bags, transported, and sent for recycling. We are also working with our partners to collect other insulants from the Sto portfolio (soft wood fibre, Resol, PIR rigid foam, and mineral foam) and recycle them.

A holistic circular economy



A holistic view of the circular economy

Recycling our products and systems holds the greatest potential for significantly reducing the volume of waste generated directly and indirectly by Sto and for increasing the recycling rate. In addition, we also deal with issues that contribute to the promotion of the circular economy in the sense of a holistic view over the life cycle. This includes, in particular, optimisation in the area of packaging, waste avoidance and waste separation (e.g. in SalesCentres and offices), as well as cooperation with service providers who specifically recycle electronic goods, paper, and other goods. As a partner of Cycle4green Recycling, for example, Sto SE & Co. KGaA was able to have 13.7 tonnes of carrier waste paper recycled in 2022, which corresponds to a prevention of 26.0 tonnes of CO₂ emissions.

Individual checks are required to ascertain whether there are sufficient quantities, unmixed fractions, and logistical options for taking back the waste. We have also developed solutions for our product packaging in the sense of a circular economy. In order to keep packaging waste in the cycle,



Sto uses certified recycling systems from waste disposal companies, which means that the waste is recycled. We are also committed to the collection and recycling of packaging, cuttings, and material residues in other countries. The degree of implementation is strongly dependent on regional and local conditions.

Developing separation processes for waste from dismantling

For dismantled EWIS, the recycling of the individual components is usually more difficult. The EWIS is in a field of tension between durability and recyclability or separability of the components. With its durability and stability, EWIS fulfils the most important goal of the circular economy – waste avoidance – but the compounds make effective recycling difficult. The reason for this is the generally insufficient grade purity and cleanliness of the components during dismantling. Selective dismantling, in which the components are dismantled and sorted according to their material classification, corresponds to the goal of a circular economy and enables effective recycling of the individual components. We are therefore trying out different techniques to improve separation. A standardised method has not yet been established, especially as dismantling projects are different and require an individual approach.

Another challenge for the material recycling of dismantling materials is the irregular and quantitatively low waste flows, and the resulting inefficiency of recycling processes. Currently, the quantities of EWIS to be dismantled are still very low, as most systems are still in use. We are therefore working on solutions to combine local requirements with existing recycling options and to bundle small waste streams in such a way that they can also be economically fed into a cycle. To make

the current situation and our development measures transparent, in 2022 we published a brochure about recycling external thermal insulation systems.

Chemical recycling as a building block for closed-loop recycling

In addition to the further development of mechanical recycling processes, the chemical industry and plastics producers in Germany are working intensively on innovative methods to recycle waste streams that are no longer suitable for mechanical processes for technological, ecological, or economic reasons. The technologies summarised under the collective term chemical recycling, such as gasification, pyrolysis, and solvolysis, aim to produce new building blocks for the chemical industry from a wide variety of material and waste streams, including mixed ones. These building blocks are used to produce new basic chemicals, plastics, materials, and other chemical products. From the point of view of the chemical and plastics industry, this will create a broader raw material base and close further product cycles. By using them, valuable resources in the form of crude oil, for example, can be replaced or saved. Sto sees potential applications for chemical recycling related to its own business activities, particularly for organic waste from insulants and coatings, as well as for mixed plastic waste and packaging, and is involved in corresponding research and development projects.

Alternatives for optimal recycling

Instead of an EWIS, Sto customers can also opt for rain-screen cladding facade (RSC). Due to its structure, an RSC system offers better conditions for separating the individual components at the end of use and keeping them in a closed recycling loop. Like EWIS, RSC systems also have a long

useful life and can last the entire life of the building with the proper, regular professional maintenance. Empirical values from over 50 years are available for EWIS. At the same time, we are also researching solutions to improve the separability of the various composite components.

Sto acoustic panels are made of up to **100%** recycled PET fibres

What recycling goals we have achieved

Use of recycled materials

The use of recycled materials is an important building block for a successful circular economy. For example, our EPS insulants already contain up to 20% recycled content from production waste and construction-site residues. Expanded glass panels from Verotec GmbH contain more than 80 per cent by volume recycled glass, and selected Sto acoustic panels consist of up to 100% recycled PET fibres. Furthermore, selecting raw materials and building elements that can be fed back into existing cycles as easily as possible is preferred. These include stainless steel and aluminium in RSC sub-constructions. At the Austrian location in Villach, unused paints, plasters, renders, and adhesives from Austria and other countries are returned to the production cycle and processed into our own highly recyclable products at a consistently high quality.

To do this, we have developed a process in which we can produce recycled products of the same quality as new products. In the case of the recycled product, a synthetic resin adhesive, the proportion of secondary raw materials is 77%. These processes also prove to be ecologically and economically advantageous. Calculations have shown that reuse in Villach is more profitable than disposal at the place of origin, even with longer transport routes. 2022 saw the market launch of containers with up to 75% recycled content, a move which aimed to conserve resources and primary raw materials. We are also working with our suppliers to expand the use of alternative packaging solutions in order to reduce the amount of packaging and simplify recycling. For large quantities, we use reusable solutions with our own silos, such as the StoSilo Minimix 3.0, which are

cleaned at our main site after use with process water from production. These solutions will be successively introduced or expanded throughout Europe. With StoFix Circonic plus, we have had a solution for improved separability of EWIS components for over 20 years. With the help of a screwdriver, the insulation board can be fastened purely mechanically and can therefore be removed by type at the end of use.

Further development of the cycle concept

We actively promote various research projects for the recycling of our products and are developing separation processes for the EWIS components in order to be able to recycle as many fractions as possible. In cooperation with RWTH Aachen University, for example, research was

conducted in 2020/2021 into ways of effectively dismantling an EWIS with mineral wool. For this purpose, manual and mechanical methods were compared, with the result that the render and the insulant can be separated relatively well with both methods, which creates excellent conditions for further material recycling.

Since 2015, Sto has been supporting and assisting Münster University of Applied Sciences in research projects on the recycling of EWIS. Last year, the focus was on the attempt to recycle dismantled external thermal insulation systems with polystyrene foam insulants in a cement plant. The mineral fractions are used as substitutes in the production of bricks and the EPS fractions as substitute fuel. Compared to the current typical disposal route for EWIS with EPS, which is the thermal energy recovery in waste-to-energy plants, this thermal material recovery is more economical and also boasts a better CO₂ balance sheet. A particular advantage of recycling in the cement plant is the elimination of cost-intensive separation of the EWIS components. In connection with this, our goal is to make at least 20% of our products and one EWIS certified recyclable by 2025.

For the recycling of EPS insulation materials, the first plant with a solvent-based process was taken into operation in the Netherlands as part of the PolyStyreneLoop Cooperative. Furthermore, we supported our own development project focusing on the recycling of highly calorific plastic waste, such as EPS, at Innolution GmbH at our location in Lauingen. The facility produces high-quality gas, which can be used on site for energy processes and potentially also for material processes as well. Thanks to these two developments, not only will thermal recycling at waste incineration plants be possible in the future, but cost-effective material recycling options will also be available on a decentralised basis for EPS waste containing the flame retardant HBCD.



The StoSilo Minimix 3.0 ensures less packaging material as a reusable solution.

They are related to the chemical industry's activities in the field of chemical recycling, which Sto supports and accompanies as part of its membership in the VCI (Verband der Chemischen Industrie e.V. – German Chemical Industry Association).



‘Concrete recycling solutions also always require engagement with local partners. Together with a producer who is primarily active in agriculture, we have succeeded in recycling cuttings from our StoVentec Carrier Board. This is another contribution to achieving our goal of keeping our products in the cycle.’

Ola Mårtensson, Product Manager for Facades, Sto Scandinavia AB, SE

06

Health and well-being



The focus is on:

- Protecting health
- Enhancing well-being

< 10

is the occupational accident rate we aim for

72 %

of our interiors products have a voluntary, laboratory-tested emissions measurement



Health and well-being

What health and well-being means to us

Health and safety are our highest priorities. Maintaining health and safety standards in the workplace is a fundamental part of the chemical and manufacturing industry. A safe working environment keeps employee motivation and commitment high, has a positive impact on productivity, the ability to work, and performance, and reduces unwelcome costs if something goes wrong. At the same time, maintaining health and safety standards is an indispensable prerequisite for the good reputation and attractiveness of a company. That is why Sto gives top priority to measures to prevent accidents in everyday work, during the commissioning of our production facilities, and when our employees are travelling and commuting to and from work.

By reducing or avoiding substances that are hazardous to health and by using products with health-promoting properties, we also contribute to the health and well-being of our customers and users of Sto products. We voluntarily carry out emissions tests for our interior products and rely on certifications from neutral and independent organisations. For external applications, our facade systems protect people and buildings from extreme weather conditions, which may occur more frequently in the future as a result of climate change, as Sto systems are designed to withstand rain, hail, and storms. Thanks to the aesthetic standards of our products, our customers also benefit when it comes to a sense of well-being.

Our holistic approach

The safety and protection of our employees in the workplace is not only a legal requirement, but in the chemical industry in particular, it is a fundamental part of the production process. Proactive measures and preventive action form the pillars of our protection concept. The concept is not limited to employees, but also includes employees of external companies such as construction companies or tradespeople who use our products and deal with them on a daily basis. Another important building block for our holistic approach is the health and well-being of our customers, for whom we develop and produce our products and systems.

Our commitment to health and well-being

This holistic protection concept, in which many aspects must be brought together, is also part of Sto's risk management. We take a responsible and methodical approach in this area to ensure a healthy and safe working environment – for employees in our company and with our suppliers. The Sto Supplier Code of Conduct defines clear requirements for our partners in terms of safety at work, health protection, protective equipment, and instruction of the workforce. New findings and legal requirements on these topics are in turn incorporated into our risk management system. In addition, we promote the physical and mental health of our employees with the help of technical, organisational, and personal measures.

We exclude substances that are hazardous or harmful to health on the basis of the REACH Chemicals Regulation, provide evidence of emission measurements in accordance with international standards, and are increasingly aligning ourselves with the leading certification systems for sustainable construction. Where buildings are concerned, this particularly touches on areas such as thermal and acoustic comfort, indoor air hygiene, and health protection. Sto building products can have a direct positive influence on these parameters, e.g. through low-emission, moisture-regulating interior products that are free from harmful substances, sound-absorbing acoustic panels, and paints with a photocatalytic effect.



Photo: Gerhard Hagen, Bamberg, DE

Natural products such as StoCalce Functio regulate room humidity – so rooms will not be too dry or too humid. Natural materials inside rooms and buildings create a pleasant ambient interior climate and make an essential contribution to well-being.

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- 50 An overview of our fields of action
- 52 What health and well-being goals we have achieved

The material topics handled in this section are:

- Occupational health and safety
- Products that are not harmful to health

GRI indicators handled in this section:

GRI 3-3; 403-1; 403-5; 403-6; 403-8



An overview of our fields of action

Occupational safety and health protection

As an employer with production operations and administrative areas, the design of safe and healthy working environments is deeply rooted in how we at Sto see ourselves as a company. Ensuring occupational safety and health protection means much more than just complying with legal regulations. Proactive measures and preventive action are the pillars of the precautions we take. Occupational health and safety are important indicators of employee confidence and motivation. We train our employees internationally on occupational safety and health protection, and pursue an occupational

accident rate of less than 10, i.e. less than 10 reportable accidents at work or on the way to and back from work per 1,000 employees per year ('incident rate per 1,000 people'). Hazard identification, risk assessment, and investigation of incidents are carried out in routine processes. Serious accidents are documented and investigated, and measures for future prevention are derived. For preventive health care, there are occupational health services, company doctors and external service providers. The framework is shaped in particular by the Sto Group's membership of the Employer's Liability Insurance Association for Raw Materials and the Chemical Industry (BG RCI).

In our Scandinavian companies, our health, safety, and well-being management processes are audited according to ISO 45001 by independent service providers. Sto SE & Co. KGaA, StoCretec GmbH, and Sto Ges.m.b.H. have each implemented an occupational health and safety management system within the framework of the integrated management system, which is voluntarily oriented towards ISO 45001. Innolation GmbH and Verotec GmbH align their measures with OHRIS, a management system from the Bavarian State Government for improved health at work and safety of technical installations.

Our health and well-being roadmap

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By 2025

- we will have record zero serious injuries at our production sites.
- We will align our occupational health and safety management systems worldwide with the international standard ISO 45001.
- We will be intensifying our offers for health protection.
- All interior products from Sto undergo an emission test.

Overview of the key points of our health and well-being strategy



The management processes include:

- prioritisation and action plans of occupational safety measures with quantified targets for business division managers.
- regular discussion of the documentation of health issues/risks between the HR department and the managers of the business divisions, and quarterly between the OSH department and the management.

- Progress assessment in reducing/avoiding health problems/risks against targets.
- Internal inspections, consultations with OHS specialists.

Accident frequency is considered an important control indicator for occupational safety. In principle, it is our goal to keep the rate consistently below a figure of ten reportable accidents at work or on the way to and back from work per 1,000 employees per year. In the 2022 year under review, this incident rate per 1,000 people was 11.6. Our safety package also includes ensuring effective first aid in the event of an injury, which we have included in the statistics since 2022.

Work-related injuries¹⁾

	2020	2021	2022
Number of fatalities due to work-related injuries	0	0	0
Fatalities due to work-related injuries ²⁾	0	0	0
Number of work-related injuries ³⁾	33	34	26
Work-related injuries (non-fatal) ³⁾	15.5	18.3	11.6
Number or documentable work-related injuries	62	78	171 ⁴⁾
Documentable work-related injuries ²⁾	28.3	34.9	76.1 ⁴⁾

¹⁾ Figures refer to Sto SE & Co. KGaA with 2,246 employees in 2022.
²⁾ Incident rate per 1,000 people.
³⁾ Reportable accidents at work or on the way to and back from work resulting in the worker being unfit for work for more than three working days.
⁴⁾ Incl. first aid services.



‘By avoiding harmful substances in our products, we promote the sustainability of building products and at the same time contribute to greater overall health and well-being in living spaces.’

Franz-Josef Henne, Head of Interior Coatings, Facade Surfaces Segment, Sto SE & Co. KGaA, Stühlingen, DE

Promoting the health of our employees

The health and well-being of our employees are very important to us. Our occupational health management scheme includes a variety of fitness programmes, seminars, and campaigns on the topic of health care. Sto offers numerous optional measures that focus on and promote the core topics of exercise, a balanced diet, and a healthy lifestyle. They are implemented through the Group’s Fit@Sto initiative and form the framework for comprehensive health management. We promote the physical and mental fitness of our employees with a wide range of offers at our locations, supplemented by comprehensive digital programmes. Fit@Sto includes, for example, activities around the Sto sports club with various sporting activities for Sto Group employees, as well as a wide range of offers and campaigns, such as the stop smoking meeting, which provides professional support to help quit smoking, or the annual apple campaign, which promotes healthy eating and employee health.

Preventive health management in all business units of the Sto Group is an important task for the future, particularly against the backdrop of demographic change. In close cooperation with our employees, we enable more individual quality of life with increasing performance.



Photo: Martin Baitinger, Böblingen, DE

As part of health issue prevention, a comprehensive care and measures concept regarding coronavirus was developed in 2020 to protect the health of employees as best as possible during the pandemic. This involves, among other things, minimising the risk of infection in the workplace and continuously maintaining distancing and hygiene rules. This programme will be continued as required.

Protecting customer and user health

Indoor health protection is becoming increasingly important in the context of building sustainability. With regard to the building products and materials used, eco-labels are playing an increasingly important role. They provide information on compliance with limiting values for ingredients and emissions and provide safety in the use of interior building products. To avoid and minimise risks when working with building products, Sto provides Safety Data Sheets, Technical Data Sheets, application instructions, and 24-hour emergency information worldwide.

Studies show that room acoustics not only affect people’s well-being, but also their health and performance. **We have been researching acoustics for over 35 years.** ‘Building with conscience.’ means helping to shape our environment responsibly. Good room acoustics, e.g. with StoSilent, are an important building block here – for our own employees and for our customers and product users.

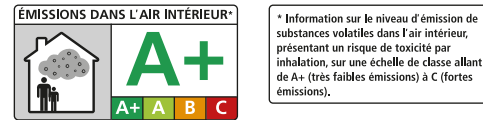
Certified quality for health

The continuous analysis and external monitoring of our products ensures that contractors and users receive safe, high-quality goods. Any potentially harmful substances and hazardous materials are indicated transparently in Safety and Sustainability Data Sheets as well as Environmental Product Declarations. Many of our products are certified in accordance with recognised eco-labels. This confirms that the impact of raw materials or emissions on health and the environment is either ruled out altogether or reduced to a minimum.



A large part of our interior product range carries the TÜV certificate awarded by TÜV-SÜD – ‘low-emission, physiologically harmless, and production monitored’ – or has been tested for harmful substances in accordance with Oeko-Tex® Standard 100. Several of our interior products are also natureplus®-certified, meaning that they adhere to the very strictest criteria in respect to their composition, substance

prohibitions, emissions, raw material extraction, pre-product manufacturing, production, and application.



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



Since 2019, we have been using our own seal of quality for the labelling of preservative-free products. In this way, we meet the growing need for building products that do not have any health risks, and offer quick orientation, especially for people who are sensitive even to small amounts of

preservatives and who could have an allergic reaction. If we protect products with preservatives from premature deterioration, we only use them to the extent that is technically necessary, provide transparency on the substances used in data sheets, and label them with a seal of quality indicating that these products are also low in emissions, solvent- and plasticiser-free and have been tested for harmful substances by an accredited institute.

What health and well-being goals we have achieved

Expanding operational offers

In 2022, we expanded our company offers in the areas of nutrition, sports, and protection against the flu. Our concept of developing our company offers concerns the entire Group, although the offers themselves are actually implemented on a decentralised basis. For example, we have provided our employees with a wide selection of exercise courses, health talks, and life coaching sessions to help them maintain and improve their physical and mental health. Our Austrian company Sto Ges.m.b.H. has linked the topic of movement

and health to a sustainability project and has promoted team-based sporting activities through domestic reforestation projects and sponsoring beehives. As part of health issue prevention, our annual vaccination campaign was carried out in Germany to protect against flu.

A management system for health and safety

Since 2021, the implementation of our management system for health and safety at work (HSW-MS) has supported us in providing safe and healthy workplaces, preventing work-related injuries and illnesses, and continuously improving our performance when it comes to health and safety at work. We identify, avoid, or reduce possible work-related hazards with the risk of illness through systematic risk assessments.

Additional external monitoring and emission measurements

We have expanded the scope of our external monitoring and include compliance with further national and international standards in TÜV-SÜD test reports on the emission behaviour of our products. This makes it easier for us to provide evidence of compliance with different limiting values and requirements in the international field.

The online portal of the Sentinel institute for healthy living, construction, and refurbishment added our Sto coatings that are free of preservatives, solvents, and plasticisers, are low-emission and mildew-inhibiting to its list of healthy-living products in 2021.

In 2022, 72 % of our interior products were subjected to a voluntary, laboratory-tested emissions measurement.



With our **certified low-emission products**, we are confident about providing a healthy ambient interior climate with great aesthetic appeal. Genuine added value for well-being! By 2025, all interior products from Sto will undergo emission tests. Our products are free from solvents, biocides, and preservatives, they have low emissions, and they do not contain any critical substances – all of which helps to protect health. This is our active contribution towards well-being – for 25 years, our researchers have been working on ways to replace sensitising substances, i.e. substances that affect allergy sufferers.

07

Transparency and social responsibility



The focus is on:

- Upholding and protecting human rights
- Ensuring compliance and fairness
- Providing comprehensive information to stakeholders
- Supporting those in need

2,700

suppliers included in the risk assessment system

400

products have a Sustainability Data Sheet



Transparency and social responsibility

Contents

- 54 What transparency and social responsibility mean to us
- 55 Our commitment to transparency and social responsibility
- 56 An overview of our fields of action
- 58 What transparency and social responsibility goals we have achieved

The material topics handled in this section are:

- Governance and compliance
- Product ownership and marking
- Commitment to social issues

GRI indicators handled in this section:

GRI GRI 2-6; 2-12; 2-13; 2-15; 2-16; 2-19; 2-23 to 2-27; 3-3; 205-1; 205-3; 206-1; 308-1; 308-2; 414-1; 414-2



What transparency and social responsibility mean to us

In addition to the need for political involvement, implementing and complying with social standards, due diligence, and transparency also requires responsible business practices. With this understanding, the values and compliance culture of the Sto Group underpin our daily actions and our economic success. We are concerned with dealing responsibly with risks and uncertainties, acting transparently and socially responsibly in all our activities, and consistently achieving our goals. To keep pace with rapidly changing market, social, and regulatory developments, a learning compliance management system (CMS) is crucial for a company. Our CMS consists of several interconnected building blocks and covers the tasks of prevention, detection, and response. These aim to ensure compliance with laws and corporate rules, to implement regulatory developments in a timely manner, and to cultivate and develop a culture of honesty within the company. This also applies to the product side in the form of extensive sustainability information and corresponding eco-labels. Assuming responsibility as part of our social commitment is also an important concern for us.

Compliance in everyday work and in the corporate culture

Adherence to legal and ethical standards is a matter of course for us, and compliance is integrated throughout Sto's operational and value-creating processes. Legally compliant behaviour is always the personal responsibility of all employees. That is why we cultivate a culture of honesty and

end-to-end communication. Managers in particular have a responsibility here. Accordingly, responsible conduct is practised through the Management's commitment to compliance and the ethical and legally compliant conduct of the Executive Board of STO Management SE and is thus anchored in the minds of the employees.

Our roadmap for greater transparency and social responsibility



By 2025

- we will consistently have information on the sustainability of our suppliers in our procurement systems and will procure the majority of our raw materials from sources that have a proven track record of responsible treatment of human rights, labour standards, transparency, and anti-corruption.
- All relevant suppliers will have recognised the Supplier Code of Conduct and undergone a risk assessment (Tier 1 and relevance).
- We will continue to ensure zero compliance convictions – with growing business volumes and increasing regulatory density.
- 100 % of our products will have been awarded at least one eco-label (label, Environmental Product Declaration, Sustainability Data Sheet).
- We will gear our diverse social commitment towards regional needs and focus on activities that we can support in a particularly targeted manner locally with our global network and decentralised corporate structures.

Our commitment to transparency and social responsibility

In ensuring ethical, moral, and fair conduct, our Group-wide value competence model is of particular importance.

This model lays down values that are important to us. In 2022, it has been defined and refined together with around 10% of the total global workforce to produce four central attitudes: responsible, respectful, ambitious, and connected. Specific ways of behaving, against which employees and

managers can be measured, were defined in several workshops. This competence model will be grounded in employee-oriented processes in 2023. The Code of Conduct, which came into being at the end of 2019, is also being updated according to the four attitudes

and remains the basis for our proper legal conduct. In particular, it is intended to create a reliable framework for dealing with business partners, employees, customers, suppliers, competitors, and other external parties with a view to preventing statutory violations and cases of corruption. Discrimination based on origin, gender, religion or belief, disability, age, or sexual identity will not be tolerated within the Sto Group. In order to identify and avoid human rights violations, appropriate data and information are required. With the introduction of a reporting system for compliance infringements, we have been offering a standardised complaints mechanism since 2017. The system is easily accessible to those potentially affected. We obtain information on any deviations from the ten principles of the UN Global Compact and appropriate countermeasures through our annual 'CSR inquiry' for all Sto companies.

Overview of the key points in our strategy for transparency and social responsibility



An overview of our fields of action

Systematically finding solutions for a sustainable supply chain

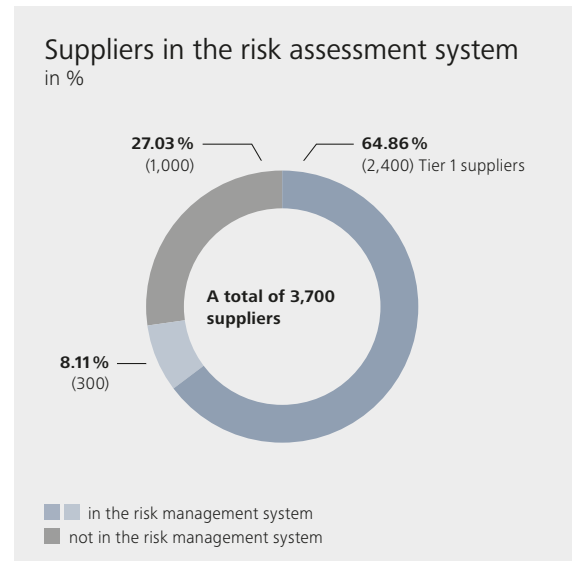
In addition to the competition for the 'best' product, we see the competition for a sustainable supply chain as a decisive success factor for our company. In doing so, we aim to improve not only Sto's sustainability performance, but also that of our supply chain. We have a network of over 3,700 suppliers for our raw materials and trading goods. We source the majority of our raw materials from Europe. Around 2,700 suppliers were in our risk assessment system at the end of 2022, of which we classify around 2,400 as Tier 1 suppliers (see chart). We expect all our suppliers

to recognise our Supplier Code of Conduct, which sets out certain minimum obligations. These include the prohibition of child and forced labour, compliance with legal requirements on working hours and remuneration, a ban on discrimination, and a commitment to health, safety, and environmental protection. We procure the majority of our raw materials from countries that have implemented high social standards, which they also monitor. German law requires companies to report on human rights compliance measures within the supply chain. The Act on Corporate Due Diligence Obligations in Supply Chains, which came into force in 2023, requires us to minimise or prevent human rights and environmental law violations in our supply chain (see section 2, [page 17](#)). We ensure this with a series



'Whether it is compliance, corporate governance, or the Act on Corporate Due Diligence Obligations in Supply Chains – **transparency and social responsibility are important to us** and it is up to us to put our involvement to the best use. Accordingly, we must continuously analyse and implement the topics in a wide variety of projects.'

Christophe Verolet, Head of Internal Audit and CCO Sto Group, Sto SE & Co. KGaA, Stühlingen, DE



of initiated measures and the active management and further development of our governance, risk, and compliance management (see chart), for which we conducted an analysis of the degree of maturity in 2022.

Transparent product information

We consider it vital to engage with these environmentally relevant and health-related topics in an open and honest manner, as it is not just down to us to determine how the sustainability of our products is interpreted and evaluated – the opinion and decisions of the public, experts, partners, and customers also play a role. Comprehensive information and transparency, especially with regard to environmental and health aspects of our products, aim to provide assistance. We also consider professional and comprehensive information

to be an important contribution to the observance and consideration of human rights. We provide information on the correct use of our products as well as their ingredients and harmful substances in our Technical Data Sheets, Safety Data Sheets, and Sustainability Data Sheets, all in the language(s) of the respective country. This allows us to create maximum transparency for our product users and go well beyond the Safety Data Sheets required by law for some of our products. We provide numerous services that are designed to support customers and market partners in their quest for sustainable solutions. The expert service provided by Sto employees represents the most important element in this. This personal approach to delivering information is accompanied by eco-labels and product declarations.

Labels and certificates (eco-label type 1)

Environmental labels and certificates such as Blue Angel, TÜV, and natureplus® are primarily aimed at private consumers and public procurers. For building certification systems such as the one provided by the DGNB, BREEAM, and LEED environmental certificates are often used as proof of a particularly high ecological standard. Products are evaluated based on various criteria defined by the relevant issuing authority. We have been using assessments by recognised testing institutes for more than 30 years and have certified a large number of products accordingly – both in the area of thermal insulation and facade coating, as well as in interiors. The numerous eco-labels available in the form of private and public product labels are posing an increasing challenge. In most cases, they are only recognised at national level and can therefore only offer added value in single markets. Products that have already been labelled then require different eco-labels for different regions, or require additional declarations. To avoid this, we have increased the scope of our test reports and now ensure that the TÜV-SÜD reports on the emission behaviour of our products also include details of compliance with other national and international standards.

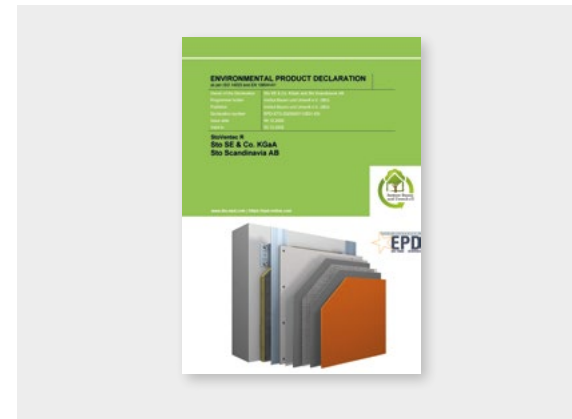
Sustainability Data Sheets (SDS, eco-label type 2)

With a voluntary self-declaration in the form of Sustainability Data Sheets, we have been supplementing product information with environmental labels since 2014, which means meeting the increasing demand for product-specific information on ecological and health criteria. Spanning around four pages, Sustainability Data Sheets list essential information for building certifications according to DGNB, BREEAM, and LEED as well as on ingredients, emissions, and other ecological and social aspects. Like our Technical Data Sheets and Safety

Data Sheets, they are available to download free of charge or can be sent directly upon request. In 2022, Sustainability Data Sheets were available for around 400 Sto products in 22 languages, which will be gradually expanded and updated.

Environmental Product Declarations (EPDs, eco-label type 3)

Environmental Product Declarations (EPDs) in accordance with DIN EN 15804 are a third building block for information on the sustainability of Sto products. Central to these declarations is a Life Cycle Assessment as well as additional information, e.g. about aspects such as the production process, service life, and provisions for recycling of a product. EPDs do not assess a product but require verification from an independent third party. The internationally applicable EPDs provide information on many environmentally relevant properties



Environmental Product Declarations (EPDs) provide information about the sustainability of Sto products. They are verified by independent third parties.

of a building product and form a good data basis for determining the sustainability of buildings. There is a particular demand for EPDs on the Scandinavian market as well as for building projects certified in accordance with BREAM, LEED, and DGNB. We use so-called model EPDs for the majority of our products. These are developed in collaboration with various associations on the basis of framework formulations, with each representing a product group. This removes the need for the time-consuming process of calculating and producing individual, product-specific EPDs for every single manufacturer.

Governance, risk, and compliance as a basis for transparency

The Sto Group has a presence in 37 countries with 50 operational subsidiaries and their own operating sites. As a result, we are confronted with very different local governance, risk, and compliance requirements. Our corporate governance is based on consistent compliance with legal regulations, internal guidelines, the company’s Articles of Association, the rules of procedure for the Executive Board and Supervisory Board, and our Code of Conduct.

Due to the legal form of a ‘Kommanditgesellschaft auf Aktien’ (KGaA, roughly equivalent to a partnership limited by shares), there are a number of differences in Sto’s corporate governance structures compared to a German ‘Aktiengesellschaft’ (public limited company). Therefore, Sto SE & Co. KGaA does not have an Executive Board. Instead, the management of the company’s business is the responsibility of the sole personally liable partner STO Management SE. The partner acts under its own authority and in the interests of the company, taking into account the concerns of shareholders, employees, and other stakeholders, with the aim of creating sustainable

added value. The ‘KGaA’ legal form also results in deviations from the principles, recommendations, and suggestions of the **German Corporate Governance Code (DCGK)**. We have been issuing Declarations of compliance with the DCGK since 2002.

The most recent **Declaration of compliance** in accordance with Section 161 of the German Stock Corporation Act (AktG) on the recommendations of the Regierungskommission Deutscher Corporate Governance Kodex (Governmental commission German Corporate Governance Code) was issued by the Executive Board of STO Management SE and the Supervisory Board of Sto SE & Co. KGaA in December 2022 and made available on our website.

Our principles on the management and supervision of the company, the composition and working methods of the Supervisory Board, the proportion of women in management positions, dealing with conflicts of interest and remuneration are contained in the Corporate Governance Report (Corporate governance statement). The **Corporate governance report** is available on our website and is part of the annual report.

Legally compliant conduct is the top priority

Ensuring legally compliant conduct (compliance) is an essential element of corporate governance at Sto. It is therefore our goal to achieve no violations and zero compliance convictions by 2025 – despite increasing regulatory density and a growing business organisation. Since the end of 2018, we have had a Chief Compliance Officer (CCO). This position is based in the Finance department, gives regular reports in Executive Board meetings, and ensures integrity and compliance with regulatory requirements within the Group. The compliance department supports all bodies, managers, and employees of the Sto Group and provides a central point of contact for compliance issues.

To ensure compliance with laws and regulations, all employees are familiarised with our binding Compliance Management Manual by their respective management. Guidelines from leading international organisations such as the International Labour Organization (ILO), the OECD, and the UN provide us with a clear framework for shaping our social and environmental responsibility. We use the ILO Core Labour Standards Conventions, the OECD Guidelines for Multinational Enterprises, and the UN Global Compact Initiative with its ten principles in the analysis of our business trade. Since 2009, we have published the results of our analysis annually as the [UN Global Compact progress report](#).

The values for responsible business anchored in the Sto Code of Conduct relate in particular to the protection of the environment, human rights, labour standards, transparency, and anti-corruption. The guidelines for acting with integrity, which are binding for all employees, summarise important laws and internal company rules governing conduct in business dealings with third parties, in dealings with the public, and also day-to-day interaction within the Group. We offer relevant information and topic-specific support in the form of training courses. No significant violations of laws and regulations came to light and no fines were paid during the reporting period.

Principles of the remuneration system

Due to its legal form, Sto SE & Co. KGaA does not have an Executive Board. The business of the company is managed by the sole personally liable partner STO Management SE. For this, it does not receive any remuneration of the kind paid to an Executive Board under a contract for services within the meaning of Section 162 of the German Stock Corporation Act (AktG). Rather, it receives an expense allowance in accordance with Section 6 (3) and (4) of the Articles of Association of Sto SE & Co. KGaA and a liability remuneration conforming to the Articles of Association. Further details on this and on the remuneration of the Supervisory Board of Sto SE & Co. KGaA can be found in the [Remuneration report](#).

What transparency and social responsibility goals we have achieved

To prepare us for the Act on Corporate Due Diligence Obligations in Supply Chains, we conducted (albeit with outside help) an analysis of the degree of maturity in 2022. Internal documents, directives, and processes were reviewed in relation to the Act on Corporate Due Diligence Obligations in Supply Chains and interviews were held with the relevant stakeholders and departments within the company in order to take a record of the status quo. The focus was on human rights, sustainability, compliance, and risk management. Based on the analysis we were able to really take stock of how well prepared we are for implementation of the Act on Corporate Due Diligence Obligations in Supply Chains and how deeply its requirements are already fixed in the Sto organisation.

Well prepared: Findings of the analysis of the degree of maturity relating to the Act on Corporate Due Diligence Obligations in Supply Chains at Sto

The results of the analysis show that our structural conditions are reliable. We were particularly encouraged by the fact that we were deemed to be at a relatively advanced stage¹⁾ and that we partially fulfilled or exceeded requirements in all nine of the dimensions under analysis.

The following points are especially noteworthy:

- Sustainability is already an important criterion on which we assess our suppliers.
- Based on our systematic support, we achieve practically full transparency throughout the supply chain. We need to incorporate supplier information from the subsidiaries into our risk monitoring procedures even more strongly.



‘We are optimising processes and implementing tools to meet our due diligence obligations, identify risks, build resilience across our supply chains, and **take action globally and quickly** when needed.’

Juliane Wiest, Supply Chain Project Manager, Sto SE & Co. KGaA, Stühlingen, DE

¹⁾ Source: [IntegrityNext/BME \(2023\): Transparent, sustainable supply chains.](#)

- Risk analyses are already conducted on direct suppliers as standard.
- We implemented a company-wide risk management system, which is a crucial step in implementing the Act on Corporate Due Diligence Obligations in Supply Chains, in 2021 and expanded it in 2022.
- Most of the sustainability issues included in the Act on Corporate Due Diligence Obligations in Supply Chains are covered by our existing reporting.

In the coming financial years we will further develop our processes to implement the human rights and environment-related due diligence obligations stipulated in the Act on Corporate Due Diligence Obligations in Supply Chains. By doing so, we will put the Sto Group in a position to meet the requirements of any European law on supply chains that may arise in future.

Fields of action and measures related to the Act on Corporate Due Diligence Obligations in Supply Chains

Based on the results we have defined fields of action and linked them to measures aimed at achieving regulatory compliance, while at the same time we have given fresh impetus to our efforts to push on with our sustainability strategy and put it into practice.

The fields of action and measures we have prioritised are based on the current degree to which the nine dimensions investigated by the analysis of degree of maturity are fulfilled in the corresponding areas of the company responsible for those aspects, in particular Management, sustainability, compliance, purchasing, personnel, controlling, and IT.

1) Strategy and policy statement

The Act on Corporate Due Diligence Obligations in Supply Chains focuses in particular on the policy statement and risk analysis of the supply chain, as well as internal added value. We have defined the following fields of action based on the analysis of the degree of maturity:

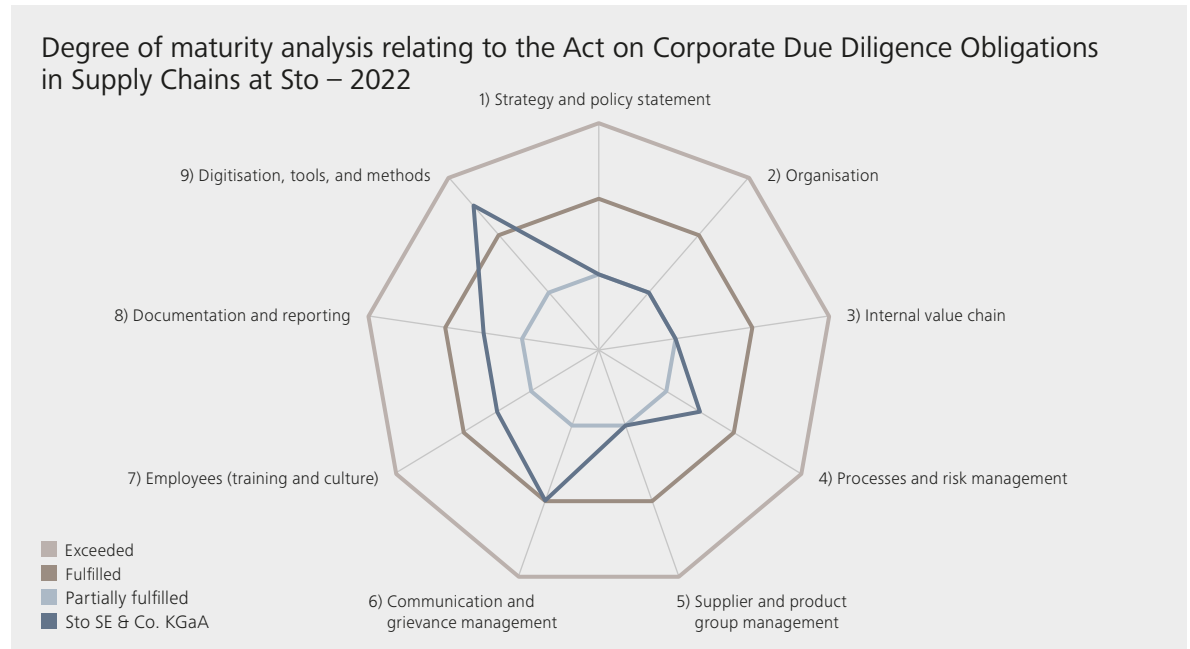
- Adaptation of our Code of Conduct, Supplier Code of Conduct, and Guiding Principles to the Act on Corporate Due Diligence Obligations in Supply Chains, and communication of a policy statement on human rights.
- Expansion of company-wide risk management to enable us to better identify negative impacts on human rights in the supply chain and environmental risks.
- Derivation of a purchasing strategy that takes account of key sustainability aspects, especially in relation to the Act on Corporate Due Diligence Obligations in Supply Chains.

2) Organisation

Due to the decentralised nature of the company organisation (e.g. where subsidiaries and the purchasing department are concerned), sustainability management and risk management must be organised coherently and consistently. This is intended to ensure a standardised procedure is followed across all departments and national companies – above all in regard to risk analysis, communication, and reporting. The human rights officer role has been created to provide an interface to all departments and subsidiaries that is relevant to the Act on Corporate Due Diligence Obligations in Supply Chains.

3) Internal value chain

The following measures are key for us when it comes to achieving a uniform direction for the internal value chain:



- Detailed information from the subsidiaries about the due diligence obligations associated with the Act on Corporate Due Diligence Obligations in Supply Chains.
- Derivation and communication of the requirements associated with the Act on Corporate Due Diligence Obligations in Supply Chains to Sto’s value management and product range.
- Checking of the effectiveness of the measures related to the Act on Corporate Due Diligence Obligations in Supply Chains.

4) Process and risk management

Relevant processes already exist in this field of action, such as corporate risk management and supply chain risk management. These will be joined up more closely in future and oriented towards the requirements derived from the Act on Corporate Due Diligence Obligations in Supply Chains.

5) Supplier and product group management

Global risk management (including supply chain risk management) and the requirements of the Act on Corporate Due Diligence Obligations in Supply Chains must be applied to supplier and product group management.

The objective is to proactively prevent risks and to put the focus even more strongly on regulatory compliance within the purchasing department's strategic and operational processes.

6) Communication and grievance management

With this Sustainability Report and the information on our website we have created the necessary conditions for communicating our sustainability measures in a targeted way both internally and externally. These structures must be used in relation to the Act on Corporate Due Diligence Obligations in Supply Chains and grievance management as well. Our digital reporting system is the key here and its function and significance need to be communicated and secured more effectively.

7) Employees (training and culture)

Our organisation stands out thanks to its strong culture of sustainability. To fulfil our statutory due diligence obligations, we need to increase visibility and awareness of proactive risk management. Training will be delivered to all employees to communicate the preventive approach of the Act on Corporate Due Diligence Obligations in Supply Chains and to help frame the work required to make our risk management processes more professional as an opportunity.

8) Documentation and reporting

The risk management manual and directives will be reviewed and adapted in line with the new documentation and reporting requirements set out in the Act on Corporate Due Diligence Obligations in Supply Chains. At the same time, we are establishing a uniform global reporting process for the annual risk inventory for all responsible staff, managing directors, and divisional heads (also known as 'risk delegates').

9) Digitisation, tools, and methods

By using various digital tools we have already created the necessary conditions for managing risks and supply chains in a way that is transparent and legally compliant. The next step is to roll the systems out so they can be used across all the subsidiaries and to give decision-makers access to overarching reporting measures from all systems.

Gradually introducing pan-European Environmental Product Declarations

Due to the standardised validity period of five years, numerous EPDs of the national associations expired in 2020 and 2021. For the most part, these will be gradually replaced by model EPDs of the European umbrella associations to ensure pan-European deployment. In 2021 and 2022, we overhauled the allocation of our products to currently valid EPDs and conducted a gap analysis to determine the EPD coverage rate of our products. From this we will derive the need for further measures to prepare EPDs and life cycle assessments. At the same time, at the end of 2022 we also implemented LCA software to be able to independently calculate life cycle assessments for our products. This provides us with a solid basis for the ecological optimisation of our products as well as the creation of our own, product-specific Environmental Product Declarations.

Expansion of the reporting system

In 2022, we optimised worldwide availability and accessibility to the reporting system, also referred to as the whistle-blower system. The system ensures that internal and external persons can report serious violations such as bribery, extortion, embezzlement, theft, accounting irregularities, environmental damage, discrimination, corruption, or anti-trust agreements in an anonymised or personalised form. We follow up on any relevant information within the framework of internal investigations. For 2022, we did not have any serious cases or cases requiring extensive remedial work.

Compliance training


In the year under review, mandatory compliance and IT security training sessions were held via internal communication platforms and e-learning sessions in order to sensitise employees and to further develop and improve their awareness of compliance and safety standards. As technical security solutions against online attacks become more efficient, cyberattacks are increasingly targeting people as easier targets. With IT security training, Sto employees learn that even harmless-looking links can be dangerous. The training is an essential part of Sto's security, reducing the risk of successful cyberattacks and specifically fending off attacks that exploit humans as a vulnerability. Compliance infringements can often be averted through preventive measures. Therefore, a primary goal of our compliance training is to sensitise employees to the topic, to communicate relevant legal regulations and to further develop compliance awareness. This teaches our employees to make the right decisions in the event of doubt or ambiguous situations. E-learning courses on the topics of compliance and IT security can be found on the learning platform of our intranet pages. They are designed interactively with many animations and exercises. After successful completion of a course, employees receive a certificate as proof. The online courses are directly accessible to our employees and will be gradually expanded.

Commitment to social issues

Voluntary initiatives and measures that serve the good of society have a long tradition at Sto. They form part of our basic understanding of Corporate Social Responsibility. We are committed to social causes, both financially and ideologically, e.g. in the Sto Foundation to promote the training of young people in our industry or by supporting internationally active aid and environmental organisations. The Bright Hill Pre-School in Windhoek, Namibia is one of the international projects that Sto has supported for many years. With our financial help, both training and construction measures have been successfully implemented in the past. In 2022, 86 children were cared for and provided with breakfast in pre-school in the mornings, and also learnt English, specifically to be able to attend a state school later. The institute also assists older people and those in need who live in the poor districts of Windhoek. In 2022, the grants were used to buy sound-insulating walls to improve learning conditions in a large classroom as well as 30 school benches and chairs that primarily serve to prepare the 5- and 6-year-old children for attending their first class in a 'normal' school. Since 2017, we have been in a special socio-ecological commitment with the non-profit integration company AfB GmbH, which specialises in reprocessing discarded IT hardware and returning it into the use cycle. In addition to positive ecological effects (see section 5, [page 45](#)), this secures a job for a person with disabilities, as AfB is an inclusive company.

Other Sto companies also place great emphasis on social commitment and embrace it in many different ways. Every year, numerous smaller fundraising events take place to support non-profit associations, social institutions, people in need, or environmental protection. In Austria, for example, the 'helpinghands@sto team' has been active for four years. This initiative supports individuals, families, or institutions in emergency situations and helps them financially.

Sto Foundation: Broadening the horizons of students and trainees

The  Sto Foundation focuses on supporting young people and imparting knowledge. In many activities, it conveys the famous 'looking beyond the end of your own nose' approach, where theoretical learning is complemented by collective action. This is why the personal exchange between young people is a central focus of the Foundation's activities.



The Sto Foundation Council decides on the funds and sponsorship projects made available.

Photo: Sto Foundation

However, those responsible at the Sto Foundation are also concerned with recognising economically difficult conditions for young talents and rewarding top performances. This holistic view of the development of young adults has been the guiding principle since the Foundation was established and is a commitment for the future.

total budget
each year
for the Sto
Foundation

EUR **1 million**

The Sto Foundation has been supporting charitable projects on a national and international level ever since its foundation back in 2005. To date, almost EUR 7.5 million have been put into more than 600 projects and invested in training the specialists of tomorrow.

This work would not have been possible on such a large scale without the financial support of the Stotmeister family, who have reached deep into their pockets on several occasions. At the beginning of 2021, the four Stotmeister family lines once again increased their donations to the Sto Foundation in equal measure – taking the total amount to EUR 400,000 per year. Together with the annual donation of EUR 600,000 from Sto SE & Co. KGaA, this means that the team now has a total yearly budget of EUR 1 million at its disposal. With this support, both the Sto Group and the Stotmeister families have been making a substantial contribution to promoting young talent in the fields of architecture and the finishing trade for 17 years now. Since the foundation of Sto, the Group has been closely associated with both target groups.



Donations for Ukraine, Sto truck.
Photo: Sto SE & Co. KGaA, Stühlingen, DE

Social commitment, and donations

A key focus in 2022 was Ukraine: not only did many employees do their bit for the cause privately, but Sto SE & Co. KGaA also funded shipments of aid to the country together with our shipping partner LOG. Several hundred tonnes of aid were delivered to the Polish border with Ukraine and some shipments were even taken right into the war zone itself. The 2022 Sto charity golf tournament raised a donation of EUR 30,000 for the HopeBUILDer initiative run by the Habitat for Humanity aid organisation. The support for the Jung & Alt association in Stühlingen, which is dedicated to organised neighbourhood assistance and improving mobility for the elderly and people in need in a rural setting, has a regional connection to our main location. Employees from Sto Ltd., our company in the UK, took



Tree-planting campaign conducted by trainees at Verotec GmbH.
Photo: Verotec GmbH, Lauingen, DE

part in the National 3 Peaks Challenge in 2022, raising over GBP 8,000 to split between four chosen charities. The fundraising event required participants to climb the three highest mountains in Great Britain within 26 hours.

Sto Foundation supports around 72 projects in trade and architecture

In the year under review, the Sto Foundation provided a total of EUR 900,000 in funding to support 72 (inter)national trade and architecture projects. These include, for example, student self-build projects, exhibitions, direct financial support for students, support for economically eligible, talented and committed apprentices in the painting and plastering sector with high-quality tools and technical literature, IT hardware, and scholarships for further training to become a paint and varnish technician or to study at university.

Aid for Ukraine in 2022 from the Sto Foundation

When the war of aggression began in February 2022, it became necessary to support civil society on the ground in a way that is effective in the medium to long term, as well as to support refugees in European countries. That is why the charitable Sto Foundation announced an additional special budget of EUR 100,000 at the start of May for aid projects benefitting Ukrainian society as a whole, as well as distinct groups within it – such as families, individuals, babies and toddlers, schoolchildren, the elderly, and people with disabilities. In mid-July a panel of representatives from the worlds of politics, science, and business met to decide on the competition winners. Due to the variety and quality of the sponsorship projects that had been submitted, the Sto Foundation awarded four additional special prizes, which amounted to another EUR 55,000.



The panel meet at the TU Berlin (from left): Prof. Ralf Pasel, TU Berlin/Sto Foundation Architecture Council; Prof. Peter Cheret, Chair Emeritus for Building Construction and Design 1, University of Stuttgart; Rita Schwarzelühr-Sutter MdB, Parliamentary State Secretary to the Federal Minister of the Interior and Community; Gregor Federhen, Desk Officer for Central and Eastern Europe, plus India and Vietnam at the Kolping Society; and Dr Christiane Schuchart, Committee on Eastern European Economic Relations.

Photo: Sto SE & Co. KGaA, Stühlingen, DE



Seventy specialist tradespeople and students are involved in the IBA Sundhausen international building exhibition project – and they are supported by international partners. The Technical University Berlin, the Veldacademie with the Technical University Delft, the Technical University Vienna, PUC Santiago de Chile, the Bauhaus-Universität Weimar, and vocational schools for painters across the whole of Germany want to make rural living more attractive. The aim is to offer a changing programme of health care services and create a venue for events.

Photo: Sto Foundation/Christoph Große, Berlin, DE



Awards ceremony honouring companies that support their employees to do civil protection volunteer work: our Chief Technology Officer Jan Nissen (left) and commander of the Sto factory fire brigade Konrad Isele (third from left) receive the award from Minister of the Interior Thomas Strobl (second from left). The award is presented by the state of Baden-Württemberg and takes the form of a certificate and a plaque. Also pictured are CDU member of the state parliament Sabine Hartmann-Müller from the Waldshut district, commander of the Stühlingen fire brigade Gerhard Pfeifer, and Stühlingen's deputy mayor Rüdiger Mayer.

Photo: Michael Bamberger, Freiburg, DE

08 Employees



The focus is on:

- Increasing our attractiveness as an employer
- Promoting work-life balance
- Ensuring equal opportunities
- Developing employee skills

3.7 %

Group-wide fluctuation rate in 2022 resulting from low number of voluntary terminations

Avg. 11.0

years of employment emphasises a high level of identification with the company





Employees

What human resources work means to us

In times when there is a growing shortage of skilled workers, it is crucial for companies to be perceived as an attractive and innovative employer. Qualified employees expect their personal needs to be taken into account. In addition to fair remuneration in line with the market, this includes a culture of togetherness in which participation in the company and the assumption of responsibility are encouraged. Work-life balance, offers for professional and personal development, and the offer of flexible working hours and locations are also incredibly important here. All workers should have the same opportunities regardless of age, gender, origin, religion, etc.

Putting people first

Our employees stand out because of both their qualifications and their commitment – they are the key to our company’s success. We put people first. We want to create an atmosphere and corporate culture where people know we put them first, so we therefore attach great importance to the concerns and interests of our employees. Sto’s HR strategy focuses on a culture of togetherness that promotes co-determination within the company and is designed to motivate employees to play their part in achieving challenging personal and company goals. This also means that we are constantly developing as an attractive and innovative employer. We want to offer our employees a working environment where

they feel healthy and comfortable, supported, valued, accepted, and treated equally – regardless of ethnic origin, gender, age, sexual orientation, disability, or religion. Involving our employees in the measures and processes to implement our sustainability strategy is a central component of our sustainability goals.

Our commitment to employee matters

Through our HR strategy process, we ensure the continuous development of HR work in line with the results of the materiality assessment and the Group strategy. Our focus is on ‘organisational development’, ‘personnel and management

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- 64 What human resources work means to us
- 64 Our commitment to employee matters
- 66 An overview of our fields of action
- 67 What goals we have achieved with our human resources work

The material topics handled in this section are:

- Diversity and equal opportunities
- Qualifications and development

GRI indicators handled in this section:

GRI GRI 2-30; 3-3; 401-1; 401-3; 404-2; 405-1; 406-1



Our human resources work roadmap



By 2025

- we will survey Sto employees on the factors that make for an attractive workplace and systematically implement the findings in our human resources work.
- We will further expand our range of flexible working time models, and part-time and working from home options to support better work-life balance.
- We will increase spending on employee skills, training, and knowledge transfer by 60% compared with 2019.
- We want to fill at least half of all management positions from our own ranks.
- We will actively promote the individual development of our employees, regardless of age, gender, origin, religion or other personality traits.
- We will check whether there is a difference in the pay between women and men at our company that can be influenced by us as a company. We will immediately eliminate any wage gap found for the same job.
- We want to appoint women to 20.0% of management positions.

development’, and ‘securing the next generation of employees and competitive employment’ – supported by ‘operational excellence’.

Our global HR organisation consists of the functions ‘Human Resources and Organisational Development’ and ‘HR Business Management’, which fulfil global steering tasks and work closely together. ‘Human Resources and Organisational

Development’ brings together all activities related to the development, retention, and management of employees, while ‘HR Business Management’ coordinates the regional employer function, the recruitment of new employees, all performance-related components as well as the fields of global and local HR administration, labour relations, HR IT, and workforce analytics.

Within the HR strategy, we create attractive and needs-based offers such as preventive health management, opportunities to reconcile family and work, part-time options, alternating telework models, and flexible working time arrangements. Systems for work deployment and working hours are designed to be as flexible and efficient as possible.

An overview of the main points of our sustainable human resources work





‘We are working to develop sustainable initiatives that are in line with our corporate values and also meet the expectations of our customers. These initiatives also have a positive impact on our planet.’

Tamestrius McWhorter, HR Business Partner, Sto Corp., USA

An overview of our fields of action

Our attractiveness as an employer

By providing an attractive working environment, we want to attract and develop the best talent for our company. We offer our employees cultural and networking initiatives, learning and development opportunities, performance-based pay, and additional benefits. Flexible working conditions, work-life balance, and health measures are particularly important to us. We are committed to a family-friendly and life-phase-conscious personnel policy. In Sto SE & Co. KGaA in Germany, all 2,246 employees (as at December 2022) are entitled to parental leave. In the 2022 year under review, 27 women and 2 men were taking parental leave. In the Germany, Austria, Switzerland (D-A-CH) region with a total of 3,181 employees, 48 men and 249 women were working part-time. You can find detailed HR statistics in section 9, [page 76 and 77](#).

In support of this, we offer our employees help in finding childcare places. We also take active measures against presenteeism, i.e. the tendency to come into work despite being unwell. To this end, we have concluded a general works agreement that promotes remote working. As a result of the recent pandemic, we have increasingly offered and implemented the option to work from home. Managers and employees are guided by the ‘New Work at Sto’ guiding principle formulated by the management. It will define new forms of work consisting of remote, hybrid and face-to-face working, and will define the way of working in the global and digital age. Training has been provided for the various cooperation solutions. In addition, a process was established to agree on jointly supported rules for hybrid cooperation. Working from home is now the norm at Sto.

Fair pay

It is anchored in our human resources instruments that we guarantee fair, market-oriented, and performance-oriented remuneration worldwide. Our principles for remuneration, including fringe benefits, are defined in Group-wide framework guidelines. Income is based on the employee’s function or responsibility and depends on their skills as well as individual development and performance. In addition, total income is based on current market conditions and is limited by a variable component with downward and upward caps. Collectively agreed and statutory minimum standards, such as the local minimum wage, also apply. If there are agreements between the employer and the trade unions, they are respected. Personal characteristics such as gender, age, etc. have no influence on the remuneration of our workforce.

60% increase in spendings on employee programmes

In Germany, the collective agreements on remuneration apply to the vast majority of Sto employees. Part-time employees can also benefit from performance and success-oriented incentive schemes and voluntary social benefits, provided they reach the minimum number of working hours prescribed in some regions. We intend to continue increasing spending on employee skills, training, and knowledge transfer by 60% (compared to 2020). The planned budget is EUR 2.4 million.

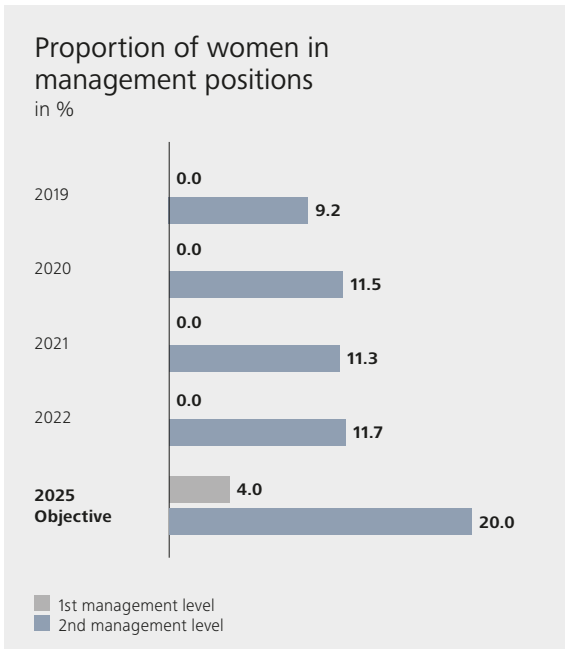
The content of the programme is based on our strategy and focuses on leadership, cooperation and culture, process and project management, IT tools, work methodology, expertise in sales, marketing, product management, development, and IT as well as compliance.

Diversity and equal opportunities

We see diversity as an opportunity that is not only relevant from a social and political perspective, but also as crucial to our economic success as an internationally operating company. Simply because of our presence in numerous regional markets, diversity is part of the Sto Group’s natural orientation. We specifically promote diversity and tolerance in the company and support people regardless of ethnic origin, gender, age, sexual orientation, disability, and religion. The Sto Code of Conduct and our Global Social Policy prohibit any kind of discrimination. All employees have easily accessible ways to obtain information on grievance procedures and to report incidents. Any cases of discrimination will be investigated at all locations. In addition, we have developed and implemented preventive measures to reach out to our employees. In 2022, no cases of discrimination were reported that we needed to follow up on.

‘Gender’ diversity dimension: women in management positions

In order to increase the proportion of female experts and managers in the Sto Group worldwide and at all levels, we have also anchored this goal in our sustainability strategy.



Our HR development includes the identification and promotion of female talent for management positions and shows possible development steps as well as career opportunities at Sto. When recruiting, we put an emphasis on hiring women. As at 31 December 2022, the proportion of female employees in the Sto Group was around 25 % of the total workforce, with significant differences between individual areas and functional groups as well as hierarchical levels (see section 9, page 76). In total, the proportion of women at Sto was therefore in line with the average for the chemical industry and significantly above the average for the building industry.

At the first management level below the personally liable partner (divisional head level) 0 % of positions and at the second management level (department head level) 11.7 % of positions were held by female managers as at the reference date. This means that the proportion of women holding these positions in the 2022 financial year was still below the target quotas of 4 % and 20 % for 2025, as no suitable female candidates could be found in the past years when filling new positions – despite specific search requests.

‘Background and culture’ diversity dimension: promoting intercultural cooperation

As a globally operating Group, we want to take advantage of all opportunities that arise to unite different nationalities and cultures within the company. Multi-faceted teams are the basis for the consistent further internationalisation of our Group. The diverse backgrounds of our employees create a high degree of additional creativity, innovative strength, and customer proximity, which enriches our entire company. And in our experience, heterogeneous teams can solve complex tasks better and implement social and economic trends more easily.

Our managers support the intercultural composition of the workforce through, among other things, international staffing, the use of students and interns, and an active exchange with trainees. With coordinated HR marketing activities and a globally networked job exchange, our HR specialists ensure that the future demand for specialists and managers can be met internationally. At the end of 2022, we employed people from 39 different nations worldwide. As at 31 December 2022, 13 managers of Sto SE & Co. KGaA (group leaders upwards) were of non-German origin.

The subsidiaries outside of Germany are managed by local managers. At the end of 2022, none of the managing directors was of German nationality.

‘Age’ diversity dimension: promoting intergenerational cooperation

Intergenerational cooperation within and outside our teams focuses on maintaining and promoting the mental and physical health of the workforce. This includes the offers of the Fit@Sto health programme and the support of our employees in caring for their family members. The average age of Sto employees worldwide was around 43.7 in 2022 (see section 9, page 76).

Employees by average age

	2019	2020	2021	2022
Men	43.8	44	44	43.9
Women	42.1	42.1	42.6	42.9
Total workforce	43.4	43.5	43.6	43.7

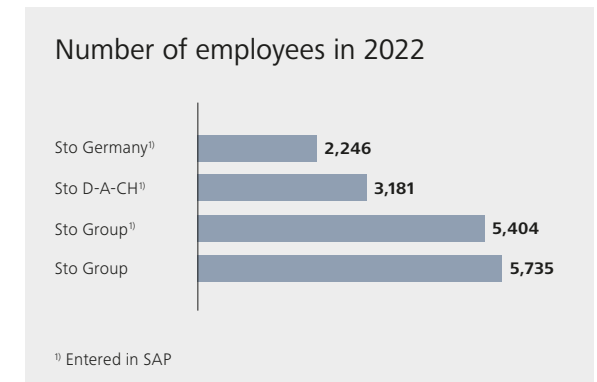
‘Inclusion’ diversity dimension: integrating people with disabilities

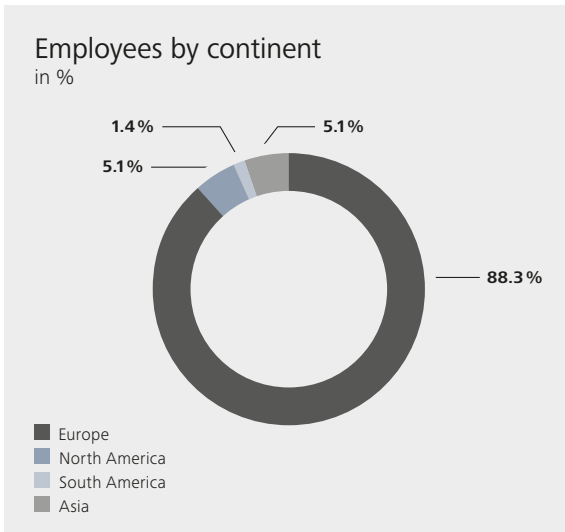
The training and employment of people with disabilities (inclusion) is also part of the diversity practised at Sto. We promote a working environment in which individual strengths can be optimally contributed and at the same time serve the development of the company. The proportion of employees with a serious disability working for Sto in Germany was 3.3 % in the year under review.

What goals we have achieved with our human resources work

At the 2022 year-end, we had 5,735 employees at Group level (31 December 2021: 5,697). This corresponds to growth of 0.7 %.

Of these, 5,404 employees were recorded in Sto companies with SAP HR management systems at the end of 2022. From the end of 2021 to the end of 2022, we recorded 863 new entrants, of which 191 were women and 672 men. About half of the new recruits (436) were in the 30–49 age group and 310 new employees were in the 29 and younger age group (see section 9, page 77).





The vast majority (88.3%) of employees are employed by our European companies. The rest are distributed among the companies in Asia and North, and South America (see section 9, [page 77](#)).

The COVID-19 pandemic also shaped many measures in HR at the start of 2022. In addition to protecting our employees by consistently implementing official requirements and observing hygiene rules, the focus was on expanding working-from-home options and restricting business trips through the extensive use of video call systems. The key milestones in our human resources work in the 2022 financial year included:

- Once again, the independent opinion research institute Statista and Stern magazine named us 'Best German Employer' in the building materials, metals, and materials sector for 2022, just as it had in 2021.
- Recruiting junior staff remains one of the main strategic tasks of human resources work at Sto. Addressing suitable candidates via social media channels has been established in recent years and will be further intensified in the future.

Hybrid working forms have gained in importance, not least because of the COVID-19 pandemic. Thanks to the multi-part qualification series 'Virtually and Humanly Close', it has been possible to increase the autonomy of employees over their choice of work location and working hours, while at the same time strengthening the sense of belonging. Guiding principles on 'New Work at Sto' formulated by the company management provide orientation for managers and employees. In addition to training courses on various cooperation solutions, a process for agreeing on jointly supported rules for hybrid working was established in 2021. We support managers and teams with virtual workshops. Working from home is now part of the 'new normal' at Sto.

Another key point in the 2022 financial year was the continuing expansion and optimisation of training and education in distance mode. Before 2020, distance learning offers played only a very minor role. The pandemic and the associated reduction in face-to-face meetings have fundamentally changed this. Existing formats (e.g. for onboarding or leadership development) have been revised from a distance-learning perspective and now take place in several online

sequences. New learning content was set up as e-learning courses or webinars. The Learning Management System introduced in 2021 supports all learners through course selection, booking, and progress. Further measures were taken in the past financial year to develop and recruit women in leadership positions. In talent management and recruiting, we pay special attention to identifying female candidates for management positions and are also expanding the range of flexible working time models and remote forms of work in order to strengthen the basis for the further expansion of women in management positions.

Mutual trust and respect

Employer and employee representatives work together in a spirit of trust at Sto. They observe the laws of the respective countries and take into account operational circumstances. We want to maintain, emphasise, and strengthen respectful interaction at Sto in our daily interactions. Four attitude dimensions – respectful, responsible, ambitious and connected – were developed for this purpose within the framework of a new value and leadership model. These are to be addressed in further leadership development and consolidated at staff events, among other things. It is a requirement of our culture that managers express trust and respect towards employees and their performance in their daily conduct. We consider attractive, secure jobs and conditions as well as a high degree of personal responsibility to be important prerequisites for productive work.

In Germany, basic participation rights of employees and their representatives are regulated by legal provisions such as the Works Constitution Act or the Speakers' Committee Act. The works councils represent employees covered by collective agreements as well as employees not covered by collective agreements. In many other regions where Sto employees are employed, comparable regulations exist with regard to the type and scope of advice and representation. We also respect and do not restrict employees' right to freedom of association and collective bargaining.

97% of the Sto Group's employees worldwide have permanent contracts

Fair contract basis

Less than 3% of the Sto Group's employees worldwide have a fixed-term work contract. To bridge short-term or temporary bottlenecks, we work together with temporary employment agencies in Germany. If a job is filled by a temporary worker for a longer period of time, we check in each case whether the position can be filled permanently. We not only attach importance to adequate remuneration, but also ensure the application of high social and safety standards to our temporary workers. At Sto SE & Co. KGaA, six temporary workers were employed as at 31 December 2022, which corresponds to a share of around 0.26% of the permanent staff (see section 9, [page 76](#)).

Sto as an employer brand: high employee satisfaction and loyalty with low staff turnover

Sto’s human resources work aims to ensure that employees identify strongly with the company. Among other things, the very low fluctuation rate over many years (2022: 3.7%; 2021: 3.4%), an average period of employment of 11.0 (2021: 11.1) years, and the high level of satisfaction with the company are indicative of the Sto workforce’s identification with the company (see section 9, page 77). The low fluctuation rate among newly hired employees within the past three years also documents the high level of loyalty. We are also doing

well with voluntary terminations, with a rate of around 2.3%. In addition, the fluctuation key figure confirms the success of our employer brand, which is also confirmed by the good performance in external employer rankings and employee surveys. As part of our Group-wide employee survey in 2019, we asked around 5,300 employees worldwide to anonymously rate their working environment. Various employee surveys have been conducted in the subsidiaries since then, including in 2022.

In Sto’s employer brand campaign ‘What’s behind our success?’, our employees are the company’s ambassadors. They have quite literally given our careers website a distinctive face.

‘Sto Culture’ initiative

Our cultural initiative ‘Sto Culture’ ensures a strong anchoring of the Group values and leadership principles, the unifying elements in our organisation. We regard future-oriented cooperation across functional boundaries as an elementary success factor and create incentives for a distinctive performance culture with the help of the initiative. In addition, there are various elements for employee participation and a Group-wide exchange of ideas.

Training

We consider well-trained employees to be an essential success factor when it comes to the competition. Our learning strategy and human resource development programmes are aligned with future business needs and address both the training of existing employees and the education of young people.

Welcome to Sto

Knowledge breeds success! Getting off to the right start is crucial. To ensure that every new Sto employee reaches their full potential, we provide tailored induction programmes. There is a detailed induction plan for all employees who start with us. In addition, a platform on the StoInside intranet site provides comprehensive insights into the company.

Vocational training and dual university study placements at Sto

In principle, we train people according to need. Every trainee has the opportunity to stay with the company after graduation. We guarantee to take our university study placement students and trainees on for five months if they perform well at school and in the workplace. During this time, they have the opportunity to gain initial work experience to further improve their chances on the internal or external job market.

In 2022, the training strategy was redesigned according to meet the relevant needs, and measures were put in place to counteract the shortage of skilled workers and train talented young professionals. The Sto Future Day for young people interested in our offer was held at the Weizen location in the year under review. It was once again possible to attend training fairs and offer student internships, after such activities had been put on hold by the Coronavirus. More trainees than ever before started their vocational training at Sto in 2022. The number of trainees starting vocational training or a course of study in Germany rose from 81 in 2021 to 102 in 2022.

We provided training in 17 apprenticeship programmes (according to the Chamber of Industry and Commerce) and eight courses from cooperative state universities in 2022.

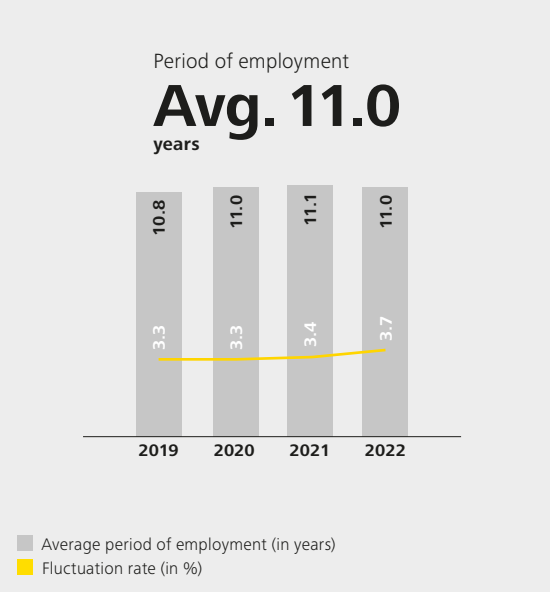
236 trainees and students in Germany

At year end, the number of trainees and students employed at German locations on placements from cooperative state universities was 236. In relation to the total workforce in Germany, this equates to a share of 7.5% (previous year: 7.7%). As a result, Sto once again easily exceeded the average training rate of around 4.5% that was recorded for all the businesses working in the chemical industry in Germany. We therefore see ourselves as well prepared for the challenges of demographic change and the associated reduced availability of skilled workers for production and production-related areas. In order to retain junior staff, all trainees who are willing and able to perform have been promised employment for several years. In 2022, Sto SE & Co. KGaA offered 84% of its trainees and students who had completed their training a permanent position.

Managers from our own ranks

Attractive career paths and high-quality development programmes are essential for the development of our future managers. We regularly assess and discuss potential assessments, succession scenarios, and development needs of talent in staff meetings with board participation. We want to fill at least half of all management positions from our own ranks by 2025. Systematic leadership training, project work, foreign assignments, job rotation, selective leadership programmes, and appropriate forms of leadership feedback are the building blocks for the development of our employees in key positions.

Period of employment and fluctuation in the Sto Group



At Sto, we focus on value-oriented management development that takes into account current challenges such as the dynamics of the markets, flexibility, and willingness to change, as well as dealing with older and younger generations. The basis for this is our core values of being experienced, close, efficient and advanced. In addition, we gear the training on offer towards concrete use cases and needs.

Further education

We offer our employees a whole host of development opportunities so that they can achieve their professional goals. Our training measures include language courses, specialised seminars (in-house and external), training programmes for project leadership and management, management development programmes, and individual coaching. The offers for further education and qualification aim at maintaining and developing the professional and personal skills of our employees. In times of constant change, demographic change, and digitisation, education, training, knowledge transfer, etc. are crucial for accurate and up-to-date knowledge in the company. Conversely, we benefit from the skills of the well-trained professionals and employees, ensuring our mutual success.



‘Having been with the company for 25 years, I speak from experience when I say that the **important values at Sto** for employees are ambition, involvement, and responsibility.’

Heinz Kolbeck, Sales Representative, Sto SE & Co. KGaA, Stühlingen, DE

‘Learn More’ at Sto – needs-based further training

With the integrated ‘Learn More’ platform, we use the StoInside intranet site as an intra-Group knowledge database and communication platform. This ensures a systematic transfer of expertise and practised knowledge management. The learning platform includes a large selection of learning paths and diverse digital learning content for self-directed further education and enables us to provide targeted qualification for employees worldwide. All employees with the appropriate IT infrastructure have access throughout the Group. Our central learning strategy focuses on simplifying the range of digital learning platforms in addition to standardised Group-wide training and HR development solutions with digital self-learning content. This should also promote the acceptance of self-directed digital learning or lifelong learning.

‘New work’ at Sto

The digitisation of the working world and the more flexible working time and place require a change in leadership. Many employees, supported by Sto, want to achieve a better work-life balance, and this also leads to the further development of management aspirations and practices. To prepare for ‘New Work’, we launched more workshops and training sessions for managers and employees in 2022, and gave the idea fresh impetus. The regulations developed by Management are intended to ensure that a balance is achieved between performance and the individual needs of the employees in our teams in the new forms of work consisting of remote, hybrid, and face-to-face working. For this purpose, more workshop series were held on learning in new contexts and an offer was created for managers to develop team charters with their employees as a basis for future cooperation and to provide a forum for sharing experiences.

The Sto Foundation – educational prospects for young people

In addition to internal training and further education, we also support young people externally in the painting and plastering trades, as well as in architecture and building sciences. Sto supports research projects and one-off projects from the construction sector that have a particular focus on the protection of historical buildings and monuments, energy efficiency, or environmentally friendly construction. This overarching purpose of the Sto Foundation resumes the Mission Statement of the Sto Group: ‘Building with conscience.’ and increases awareness of the importance of designing living spaces tailored to environmental and human needs. You can find more details about Sto’s funding work in section 7, [page 60](#).



During the DenkmalCamp, which was repeated in 2022 in Romania, Sto again sponsored 20 trainee painters to work on the restoration of the medieval fortified church and the rectory that belongs to it with its fortified tower in Metiș (Transylvania).

Photo: Sto Foundation/Christoph Große

09 Notes and data



Photo: Martin Baitinger, Böblingen, DE





Notes and data

About this report

As the parent company of the Sto Group, Sto SE & Co. KGaA, which is headquartered in Stühlingen (Germany), has prepared this report as a stand-alone Sustainability Report as per Sections 298b (3) and 315b (3) of the German Commercial Code (HGB) in accordance with the GRI standards (2021). Just as with financial reporting, the reporting period of this Sustainability Report corresponds to the calendar year (1 January to 31 December 2022). This report is updated annually and in future will take into account the requirements of the Corporate Sustainability Reporting Directive (CSRD). The report was completed on 30 March 2023. Sto SE & Co. KGaA signed the UN Global Compact (UNGC) in 2009. The Sustainability Reports produced by Sto SE & Co. KGaA were, up to and including 2021, also progress reports (Communication on Progress) within the context of our participation in the UNGC. We will publish our 2022 UNGC progress report in the new UNGC database in due time by June 2023.

STO Management SE will draw up the report in its role as the personally liable partner of Sto SE & Co. KGaA. The report will be audited by the Supervisory Board of Sto SE & Co. KGaA and the Audit Committee in accordance with Section 171 of the German Stock Corporation Act; it was not audited externally. Dr Eike Messow, Head of Sustainability for the Sto Group, is the contact person for this report and its content. In previous years, Sto has steadily expanded the scope of the sustainability aspects recorded and reported on within the Sto Group. Using specially adapted ESG software we have been able to collect sustainability information that is relevant to 2022 from all Sto Group companies. The scope of reporting in this Sustainability Report therefore corresponds to the companies consolidated within the Sto Group. Please refer to the [2022 Annual Report of Sto SE & Co. KGaA \(from page 127\)](#) for a list of the Group's subsidiaries and investments as at 31 December 2022.

Not all relevant non-financial data and information for 2022 is yet available in a consistent format for all subsidiaries. The companies not included in the data for the 2022 financial year are listed in the footnotes to the tables. Through Group-wide training sessions and process optimisations, we want to further improve the data basis both qualitatively and quantitatively in the future. As the survey had not been conducted and evaluated in full in the extended digitised scope for the 2022 year under review by the time this Sustainability Report went to press, only limited direct comparative values for the previous year are available.

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GRI indicators handled in this section:

 **GRI 2-2 to 2-5; 2-7; 2-8; 2-14**

Photo above and on page 71: Martin Baitinger, Böblingen, DE



Detailed data

Section 3 | Scope of GHG emissions of 17 Sto Group companies with CO₂ balance sheets

in t CO ₂ e	Scope 1			Scope 2			Scope 3			Scopes 1–3		
	2018	2020	2021	2018	2020	2021	2018	2020 ¹⁾	2021	2018	2020 ¹⁾	2021
Sto SE & Co. KGaA	8,802.3	7,992.4	8,009.4	157.9	424.5	446.5	4,990.4	6,574.0	19,646.5	13,950.6	14,990.8	28,102.4
Sto Ges.m.b.H.	1,813.7	1,695.8	1,853.6	11.2	11.7	14.4	748.1	685.7	712.7	2,573.0	2,393.2	2,580.7
Verotec GmbH	977.0	894.2	924.9	50.9	95.0	-	648.7	531.1	903.9	1,676.6	1,520.3	1,828.8
Innolation GmbH	1,369.2	1,424.6	1,382.3	-	-	-	337.4	342.9	437.7	1,706.6	1,767.5	1,820.0
Sto Scandinavia AB	211.0	134.0	118.0	150.0	98.0	151.0	2,037.0	1,316.0	939.0	2,398.0	1,548.0	1,208.0
StoCretec GmbH	1,177.4	1,027.6	499.4	-	-	-	370.0	399.3	309.3	1,547.4	1,426.9	808.7
Sto Norway A/S	91.1	57.0	38.1	-	-	0.1	759.0	518.0	476.4	850.1	575.0	514.6
Sto Finexter OY	49.0	33.0	39.6	61.0	28.0	13.9	651.0	226.0	334.1	761.0	287.0	387.6
Sto Denmark A/S	53.0	32.0	33.2	11.0	38.0	11.6	118.0	81.0	107.8	182.0	151.0	152.6
Ströher GmbH		14,493.8	12,752.0		1,794.7	2,679.1		3,158.4	3,277.1		19,446.9	18,708.2
Sto AG		1,029.1	1,242.5		69.1	63.3		828.7	756.2		1,926.9	2,061.9
Sto Italia srl		216.4	227.2		12.4	15.7		91.0	112.1		319.7	355.0
Sto Colombia s.a.s.		1.0	0.7		4.4	7.0		123.5	218.6		128.9	226.3
Sto Corp.			559.7			1,210.1			2,846.2			4,616.0
Innolation SAS			1,407.9			74.1			630.0			2,112.0
Jonas Farben GmbH			355.7			-			1,144.9			1,500.5
VIACOR Polymer GmbH			154.4			46.9			399.0			600.2
Total	14,543.70	29,030.80	29,598.41	442.00	2,575.79	4,733.68	10,659.60	14,875.57	33,251.19	25,645.30	46,482.16	67,583.28
Share	56.7 %	62.5 %	43.8 %	1.7 %	5.5 %	7.0 %	41.6 %	32.0 %	49.2 %	100.0 %	100.0 %	100.0 %

¹⁾ Increases in Scope 3 emissions primarily result from a change in the calculation basis, in which new factors were included in the balance sheet. It may also appear that emissions have increased due to a better data basis.

Section 3 | Car fleet: energy consumption and emissions of the Sto companies STO Management SE, Sto SE & Co. KGaA, StoCretec GmbH, Innolation GmbH, Südwest Lacke GmbH & Co. KG, Verostone GmbH, Verotec GmbH

	2017	2018	2019	2020	2021	2022 ¹⁾	Change 2021/22
Number of contracts	851	825	843	843	804	756	-6.0 %
Litres of fuels filled up	1,752,143.41	1,656,209.80	1,619,915.21	1,290,664.95	1,183,490.16	1,225,868.30 ²⁾	3.6 %
Kilometres driven	27,204,525	26,302,120	25,875,839	20,950,878	19,798,422	21,347,459 ²⁾	7.8 %
Avg. consumption/100 km/vehicle	6.5	6.4	6.3	6.2	6.0	5.8	-3.3 %
Avg. consumption of the fleet/100 km	6.4	6.3	6.3	6.2	6.0	5.7	-5.0 %
Avg. CO ₂ emissions according to WLTP ³⁾	148.20	154.10	151.10	148.70	133.80	124.50	-7.0 %

Section 3 | Energy consumption of ISO-certified locations compared with the Sto Group⁴⁾

in kWh	ISO 50001 Sto SE, StoCretec, Innolation, Verotec and Sto Ges.m.b.H.			ISO 50001 expanded by Ströher GmbH and VIACOR Polymer GmbH		Sto Group	Of which renewable
	2019	2020	2021	2021	2021		
Electricity	18,735,706	20,672,434	19,170,157	27,370,269	46,924,048	53 %	
Heat	32,702,591	32,636,501	34,765,790	103,355,753	144,857,322		
Diesel	26,960,525	23,463,240	21,737,792	21,954,534	21,953,534		
Total energy	78,398,822	76,772,175	75,673,739	152,680,556	213,734,904		
Of which renewable	18,735,706	20,672,434	19,170,157	19,170,157 ⁵⁾	24,931,208	12 %	
Of which non-renewable	59,663,116	56,099,741	56,503,582	133,510,399	188,803,695	88 %	

¹⁾ Not including VeroStone GmbH

²⁾ Not including e-vehicles

³⁾ Worldwide Harmonised Light Vehicle Test Procedure

⁴⁾ The energy consumption values for 2022 were not available in full and/or could not be adjusted and verified by the time this Sustainability Report went to press.

⁵⁾ Corresponds to 12.6% of total energy

Section 4 | Waste produced by ISO 50001-certified companies in the Sto Group

in t	Verotec GmbH			Ströher GmbH			Innolation GmbH			Sto SE & Co. KGaA + StoCretec GmbH				Sto Ges.m.b.H.			Total for ISO 50001 companies			
	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020 ¹⁾	2021 ¹⁾	2021	2022	2020	2021	2022	2020	2021	2021 ¹⁾	2022 ²⁾
Paper/paperboard/cardboard packaging	18	25	15	31	28	25	70	62	67	198	221	436	376	106	149	25	423	700	485	508
Lightweight packaging/plastic	4	4	4	12	7	9	2	2	3	117	106	314	296	436	492	0	571	819	611	312
Glass	559	500	0 ³⁾	0	0	0	0	0	0	1	0	0	0	2	0	0	562	500	500	0
Residual waste	58	56	46	230	146	35	3	3	3	173	283	559	459	126	148	148	590	912	636	691
Biowaste/green waste	0	0	0	6	0	1	25	10	4	0	0	5	8	2	2	0	33	17	12	13
Wood waste	19	20	10	73	61	0	5	15	5	110	129	209	69	10	17	12	217	322	242	96
Bulky waste	0	0	0	0	0	0	0	0	0	0	0	0	94	44	12	0	44	12	12	94
Construction waste	737	778	1438 ³⁾	0	0	274	12	14	19	2,079	2,123	2,471	2,200	0	142	73	2,828	3,405	3,057	4,004
Scrap metal	15	9	9	122	116	0	1	3	6	141	117	117	99	128	196	1	407	440	440	115
Electronic scrap	0	1	1	1	1	1	0	0	0	12	13	13	5	7	6	0	20	21	21	7
Hazardous waste	19	34	37	5	10	391	1	0	1	236	271	772	434	8	11	3	269	827	326	866
Total	1,429	1,426	1,560	480	369	736⁴⁾	119	109	108	3,067	3,263	4,896	4,040	869	1,175	262	5,964	7,975	6,342	6,706
Development compared to previous year		-0.2%	9.4%		-30.1%	99.5%		-8.9%	-1.0%		6.0%	37.4%	-17.5%		26.0%	-77.7%		25.2%	6.0%	-15.9%

¹⁾ Data excl. Sto SalesCentres.

²⁾ Not including Viacor GmbH.

³⁾ Amendments are based on new allocations to the corresponding waste code.

⁴⁾ Data with extended scope.

Section 8 | Personnel statistics

Employees in the Group ¹⁾	2019	2020	2021	2022
Total	5,533	5,545	5,697	5,735

Employees in the Sto Group ²⁾	2019	2020	2021	2022
Men	3,845	3,788	4,048	4,053
Women	1,239	1,223	1,324	1,351
Total	5,084	5,011	5,372	5,404

By working time ³⁾	2019	2020	2021	2022
Full-time	2,832	2,816	2,898	3,108
of which men	2,332	2,302	2,364	2,536
of which women	500	514	534	534
Part-time	271	262	277	297
of which men	234	226	234	48
of which women	37	36	43	249

By employment type	2019	2020	2021	2022
Permanent employment	4,944	4,886	5,228	5,268
of which men	3,736	3,698	3,946	3,959
of which women	1,208	1,188	1,282	1,309
Temporary employment	140	125	144	136
of which men	109	90	102	94
of which women	31	35	42	42
Temporary workers (temps and interim employees) ⁴⁾	9	12	9	6
of which men	8	11	7	6
of which women	1	1	2	0

By gender	2019	2020	2021	2022
Men	3,845	3,788	4,048	4,053
Women	1,239	1,223	1,324	1,351

By age group	2019	2020	2021	2022
29 and under	767	738	774	774
30–49 years	2,429	2,378	2,538	2,538
50 and over	1,889	1,895	2,060	2,060

By average age in years	2019	2020	2021	2022
Men	43.8	44.0	44.0	43.9
Women	42.1	42.1	42.6	42.9
Total workforce	43.4	43.5	43.6	43.7

¹⁾ All Sto companies

²⁾ Sto companies that use SAP as their HR management system

³⁾ Sto companies in Germany, Austria, and Switzerland with a total of 3,181 employees

⁴⁾ Temporary workers in Sto SE & Co. KGaA with 2,246 employees

Section 8 | Personnel statistics

Parental leave ¹⁾	2019	2020	2021	2022
Number of employees entitled to parental leave	2,149	2,191	2,235	2,246
of which women	521	531	545	547
of which men	1,628	1,628	1,690	1,699
Number of employees who have taken parental leave	27	31	33	29
of which women	24	28	30	27
of which men	3	3	3	2

New employees	2019	2020	2021	2022
Total	789	682	805	863

By age group	2019	2020	2021	2022
29 and under	302	265	281	310
30–49 years	380	320	405	436
50 and over	107	97	119	117

By gender	2019	2020	2021	2022
Women	163	137	170	191
Men	626	545	635	672

Employees by continent	2019		2020		2021		2022	
Europe	4,429	87.12 %	4,358	86.97 %	4,714	87.75 %	4,773	88.32 %
North America	256	5.04 %	256	5.11 %	258	4.80 %	278	5.14 %
South America	79	1.55 %	74	1.48 %	79	1.47 %	78	1.44 %
Asia, incl. Russia and Türkiye	320	6.29 %	323	6.45 %	321	5.98 %	275	5.09 %
Pacific	0	0.00 %	0	0.00 %	0	0.00 %	0	0.00 %
Total	5,084		5,011		5,372		5,404	











Fluctuation	2019	2020	2021	2022
Overall turnover rate	3.3 %	3.3 %	3.4 %	3.7 %

Period of employment	2019	2020	2021	2022
Period of employment in years	10.8	11.0	11.0	11.0

¹⁾ Employees in Sto SE & Co. KGaA

Glossary

Abbreviations and selected technical terms

GHG Protocol	The  GHG Protocol Corporate Accounting and Reporting Standard includes directives and guidance for recording company-wide greenhouse gas emissions. The standard covers accounting and reporting for seven greenhouse gases that fall under the Kyoto Protocol. At Sto, the main emissions produced are CO ₂ emissions.	ISO 50001	The energy management system  ISO 50001:2018 describes the requirements for establishing, implementing, maintaining, and improving an energy management system (EnMS). In 2022, Sto SE & Co. KGaA and all production sites and SalesCentres in Germany, Innolation GmbH, Verotec GmbH, Ströher GmbH, VIACOR Polymer GmbH, and Sto Ges.m.b.H. in Austria received the certification. By 2025, all Sto production facilities are also due to be ISO 50001-certified in order to identify and implement energy saving potentials.
GRI	As a charitable foundation, the  Global Reporting Initiative is the world's leading provider of sustainability reporting standards. Since 1 July 2018, the Sustainability Reporting Standards published in 2016 have been mandatory for reporting under the GRI. The revised universal standards presented in October 2021 apply to reporting from 1 January 2023.	OHS	Occupational Health and Safety. Measures, means, and methods to protect workers from occupational health and safety hazards. The aims are to prevent accidents in the workplace and protect the health of the workforce. For Sto, the regulations of the Employer's Liability Insurance Association for Raw Materials and the Chemical Industry (BGRC) and the  Responsible Care initiative are of central importance.
ISO 9001	 ISO 9001:2015 specifies requirements for a quality management system. The aim is to demonstrate that products and services meet all legal and regulatory requirements. It also aims to boost customer satisfaction through the effective application of the system. The Sto quality management system is based on ISO 9001.	SDGs	The United Nations' (UN) 17 Sustainable Development Goals (SDGs) are political targets to be met by 2030. They are to serve the worldwide safeguarding of sustainable development on an economic, social, and ecological level. Each year, the  United Nations reports on the progress of the goals. Based on its materiality assessment, Sto has identified six SDGs that are linked to the company's sustainability goals and ambitions and are areas where Sto can achieve the greatest impact.
ISO 14001	 ISO 14001:2015 defines the requirements for an environmental management system. The aim is to enhance a company's environmental performance. In the year under review 2022, 17 of the Sto Group's 33 production facilities were ISO 14001-certified. And by 2025, all production sites are to be certified. This demonstrates how Sto is systematically fulfilling its environmental responsibility and contributing to the ecological pillar of sustainability.	UNGC	The  UN Global Compact supports companies in strategically anchoring their sustainability goals into practice on the basis of its ten Universal Principles and in contributing to the implementation of the Sustainable Development Goals. With around 19,000 signatories, the UN Global Compact the world's largest initiative for sustainable and responsible corporate governance. When it  joined in 2009 , the Sto Group showed that it actively supports the vision of a more inclusive and sustainable economy, and shares responsibility for a better world.
ISO 45001	 ISO 45001:2018 specifies requirements for an occupational health and safety management system. It provides guidance on its application to create safe and healthy workplaces. The aim is to prevent work-related injuries and illnesses and to proactively improve the company's performance in terms of health and safety. Sto's occupational safety management is based on the ISO 45001 standards.		

GRI index

GRI standard	Disclosure	Page	Explanation	SDGs
General information				
2-1	Organizational details	5, 7		
2-2	Entities included in the organization’s sustainability reporting	72		
2-3	Reporting period, frequency, and contact point	72		
2-4	Restatements of information	72		
2-5	External assurance	72		
2-6	Activities, value chain, and other business relationships	56, 58–60		
2-7	Employees	76, 77		8
2-8	Workers who are not employees	76, 77		8
2-9	Governance structure and composition	5, 12	Link to the Corporate Governance Report	
2-10	Nomination and selection of the highest governance body	5	Link to the Corporate Governance Report	
2-11	Chair of the highest governance body	5	Link to the Corporate Governance Report	
2-12	Role of the highest governance body in overseeing the management of impacts	9, 12, 57		
2-13	Delegation of responsibility for managing impacts	57, 58		
2-14	Role of the highest governance body in sustainability reporting	72		
2-15	Conflicts of interest	57		
2-16	Communication of critical concerns	58		
2-17	Collective knowledge of the highest governance body	12		
2-18	Evaluation of the performance of the highest governance body	12		
2-19	Remuneration policy	12, 58	Details in the Remuneration report 2022	
2-20	Process to determine remuneration		Details in the Remuneration report 2022	
2-21	Annual total compensation ratio		Sto SE & Co. KGaA does not consider this to be a meaningful compensation indicator for assessing remuneration structures in terms of how fair and balanced they are. Therefore we do not record this data. Collective bargaining coverage and a focus on functional, market, and performance characteristics are what shape our company’s remuneration policy.	
2-22	Statement on sustainable development strategy	3		
2-23	Policy commitments	55, 57, 58		

GRI standard	Disclosure	Page	Explanation	SDGs
2-24	Embedding policy commitments	54–60		
2-25	Processes to remediate negative impacts	60		
2-26	Mechanisms for seeking advice and raising concerns	60		
2-27	Compliance with laws and regulations	58, 60		
2-28	Membership associations	14		
2-29	Approach to stakeholder engagement	14, 15		
2-30	Collective bargaining agreements	68		8
Material topics in 2022				
3-1	Process to determine material topics	10		
3-2	List of material topics	11		
GRI 200 economic topics				
3-3	Management approach to economic performance 2016	6, 16		
201-1	Direct economic value generated and distributed		☞ Details in the 2022 annual financial statement	8, 9
201-2	Financial implications and other risks and opportunities due to climate change	6, 16		13
201-3	Defined benefit plan obligations and other retirement plans		☞ Details in the 2022 annual financial statement	
3-3	Management approach to anti-corruption 2016	29, 60		
205-1	Operations assessed for risks related to corruption	58		
205-3	Confirmed incidents of corruption and actions taken	60		
3-3	Management approach to anti-competitive behavior 2016	29, 60		
206-1	Legal actions for anti-competitive behavior	60		
GRI 300 environmental topics				
3-3	Management approach to materials 2016	35, 36		
301-1	Materials used by weight or volume	37		8, 12
301-2	Recycled input materials used	46, 47	The Sto Group records data on the share of recycled input material in the respective products, but not in relation to all the materials used.	8, 12
301-3	Reclaimed products and their packaging materials	45		8, 12

GRI standard	Disclosure	Page	Explanation	SDGs
3-3	Management approach to energy 2016	19–22		
302-1	Energy consumption within the organization	74	Energy consumption data was recorded for the entire Sto Group for the first time for 2021. Data is also available for 2020 and 2019 for the 17 ISO 50001-certified locations. Data for 2022 was not available in full by the time this Sustainability Report went to press.	8, 12, 13
302-4	Reduction of energy consumption	24, 25		8, 12, 13
3-3	Management approach to water and effluents 2018	36, 38, 39		
303-1	Interactions with water as a shared resource	36, 38, 39		12
303-2	Management of water discharge-related impacts	39		
303-3	Water withdrawal	40	Disclosures about the Sto Group’s water balance relate to the production sites. Information is not recorded for administration and sales sites because the volumes of water involved are not significant and the process of collecting the data is laborious.	
303-4	Water recirculation	40		
303-5	Water consumption	40		
3-3	Biodiversity 2016	35, 36		
304-3	Habitats protected or restored	39	Sto does not have any of its own mines for obtaining sand or limestone, for example.	
3-3	Management approach to emissions 2016	19–23		
305-1	Direct (Scope 1) GHG emissions	22, 24, 73	Data has been recorded for 2022. At the time of reporting, however, final CO ₂ balance sheets are not available, as data from energy providers and rented properties is still outstanding. Data for 2021 has been supplemented.	3, 12, 13
305-2	Energy indirect (Scope 2) GHG emissions	22, 73	Data has been recorded for 2022. At the time of reporting, however, final CO ₂ balance sheets are not available, as data from energy providers and rented properties is still outstanding. Data for 2021 has been supplemented.	3, 12, 13
305-3	Other indirect (Scope 3) GHG emissions	22, 73	Data has been recorded for 2022. At the time of reporting, however, final CO ₂ balance sheets are not available, as data from energy providers and rented properties is still outstanding. Data for 2021 has been supplemented.	3, 12, 13
305-5	Reduction of GHG emissions	24		13
3-3	Management approach to waste 2020	38, 43–46		
306-1	Waste generation and significant waste-related impacts	37, 38, 45, 46		11, 12
306-2	Management of significant waste-related impacts	43–46		3, 11, 12
306-3	Waste generated	40, 75		3, 11, 12

GRI standard	Disclosure	Page	Explanation	SDGs
3-3	Management approach to supplier environmental assessment 2016	56, 58	The environmental assessment of our suppliers is closely linked to the general auditing of our suppliers in terms of sustainability and the risks of human rights being disregarded; the digital assessment systems (cloud-based platforms) we use also include environmental aspects.	
308-1	New suppliers that were screened using environmental criteria	56	The majority of our suppliers provide us with information on environmental criteria via digital assessment systems (cloud-based platforms), which are continuously updated. No distinction is made between 'new' and 'existing' suppliers and there is no difference in how they are evaluated.	
308-2	Negative environmental impacts in the supply chain and actions taken	56	Corresponding measures are taken on a case-by-case basis and are not yet evaluated as standard.	
GRI 400 social topics				
3-3	Management approach to employment 2016	64–67		
401-1	New employee hires and employee turnover	69, 77		8
401-3	Parental leave	66, 77		8
3-3	Management approach to occupational health and safety 2018	49–51		
403-1	Occupational health and safety management system	52		8
403-5	Worker training on occupational health and safety	50–51		8
403-6	Promotion of worker health	51		3
403-8	Workers covered by an occupational health and safety management system	51		8
403-9	Work-related injuries	51	Sto currently records reportable accidents at work or on the way to and back from work per 1,000 employees per year ('incident rate per 1,000 people'). We pursue an occupational accident rate (accident rate per 1 million working hours) of below 10. That target is below the rate specified by the Employer's Liability Insurance Association for Raw Materials and the Chemical Industry.	3, 8
3-3	Management approach to training and education 2016	60		
404-2	Programs for upgrading employee skills and transition assistance programs	60, 69, 70		8
404-3	Percentage of employees receiving regular performance and career development reviews		We do not record a percentage. Every employee should have an annual meeting with their line manager. We offer leadership programmes, but we do not evaluate them.	8
3-3	Management approach to diversity and equal opportunity 2016	64–66		
405-1	Diversity of governance bodies and employees	66, 67, 76		8
3-3	Management approach to non-discrimination 2016	64–66		
406-1	Incidents of discrimination and corrective actions	66	In 2022, no cases of discrimination were reported that we needed to follow up on.	8

GRI standard	Disclosure	Page	Explanation	SDGs
3-3	Management approach to supplier social assessment 2016	54–56, 58–60	The social assessment of our suppliers is closely linked to the general auditing of our suppliers in terms of sustainability and the risks of human rights being disregarded; the digital assessment systems (cloud-based platforms) we use also include social aspects; these will be developed further as part of implementation work to fulfil the Act on Corporate Due Diligence Obligations in Supply Chains.	
414-1	New suppliers that were screened using social criteria	56	The majority of our suppliers provide us with information on social criteria via digital assessment systems (cloud-based platforms), which are continuously updated. No distinction is made between 'new' and 'existing' suppliers and there is no difference in how they are evaluated. This data was not recorded during the reporting period. There are plans to record such data for future years under review.	8
414-2	Negative social impacts in the supply chain and actions taken	56	This data was not recorded during the reporting period. There are plans to record such data for future years under review.	8
3-3	Management approach to customer health and safety 2016	51, 52		
416-1	Assessment of the health and safety impacts of product and service categories	51, 52	All the raw materials and products used by the Sto Group meet the statutory requirements for the use of chemicals. We apply the REACH regulations consistently and make Safety Data Sheets available. The majority of interior products (e.g. paints and plasters) are subjected to voluntary tests for emissions and harmful substances.	
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services		No complaints or legal actions were brought during the reporting period.	
3-3	Management approach to marketing and labeling 2016	51, 52		
417-1	Requirements for product and service information and labeling	52		12
417-2	Incidents of non-compliance concerning product and service information and labeling		No complaints or legal actions were brought during the reporting period.	
417-3	Incidents of non-compliance concerning marketing communications		No complaints or legal actions were brought during the reporting period.	

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