







# xella

**Leading the Change**  
Sustainability Report 2020

Sand, water, and limestone: the natural materials in our Ytong autoclaved aerated concrete and Silka CSU. They are the “ingredients” from which the image on the preceding page was created.

# Our Targets



## Environmental

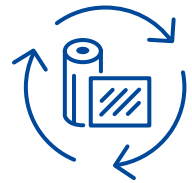
Reduction of CO<sub>2</sub> emission intensity by 2030\*  
[scope 1 and 2]

**-30%**



Minimum percentage input from recycled and reprocessed glass in mineral wool production by 2030

**80%**



## Social

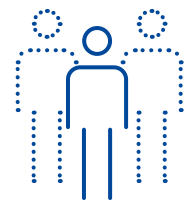
Workplace injuries

**0**



Reduction of lost-time injury frequency rate by 2025\*

**-40%**



Share of female managers at Group level by 2025

**25%**



Increase in annual training hours per employee by 2025\*

**+10%**



## Governance

Percentage of relevant suppliers complying with our Supplier Code of Conduct by 2021

**~100%**



Zero tolerance toward fraud, bribery, and anticompetitive activities

**0**



We strive to deliver an industry-leading customer experience

**#1**



\* base year 2019

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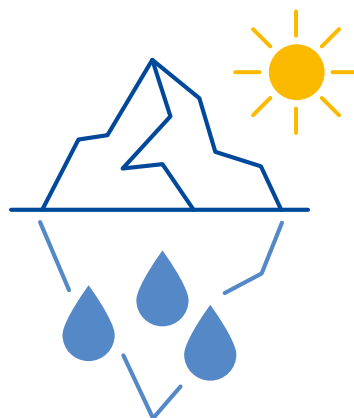


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**Occupational safety and health is a top priority for Xella.** → Page 66

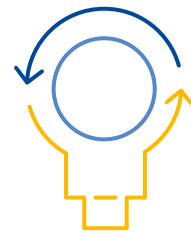


**Dialog, responsibility, and professionalism are our core values and define how we interact.** → Page 58

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# Our Ambition

01

## Contents

- 06 What We Want to Achieve
- 08 Our Journey There
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Xella stands for healthy, sustainable, and affordable housing and construction. We improve the sustainability of buildings throughout their entire life cycle and contribute to a low-carbon, humane (construction) industry compatible with a circular economy.

Xella led the industry in the Sustainalytics 2020 ESG Risk Rating



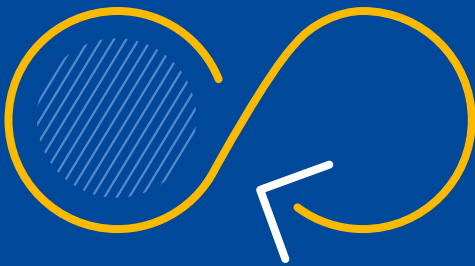
We make a significant contribution to four Sustainable Development Goals (SDGs)





## We aim to be industry pioneers:

### Circular economy



### Occupational safety and health



### Climate change



### Development and performance of our team



### Customer experience and satisfaction



# What We Want to Achieve

We want to use our influence in the construction industry to support energy-efficient, cost-effective, and sustainable construction, housing, and living. For this reason, we have sharpened our sustainability strategy and focused on how we can add the greatest-possible value.



We have a long journey in front of us. Global sustainability challenges demand consistency, perseverance, and courage. When it comes to

our ESG ambition, we let our values guide us. After all, when you're in a marathon, it's how you run that decides success.

**» With the support of our stakeholders and our building and insulation solutions, we want an efficient, sustainable and affordable construction industry for the benefit of customers.«**

**Christophe Clemente**, CEO of the Xella Group

## Our levers for influencing ESG

### Impact



#### Environmental



#### Social



#### Governance

boosting



- Resource conservation
- Products for a circular economy

- Energy-efficient and affordable housing
- Healthy housing and work
- Satisfied employees
- Diversity in practice

- Satisfied customers
- Sustainable financial performance
- Fairness within supply chain
- Data security

reducing



- Carbon emissions
- Waste

- Occupational accidents

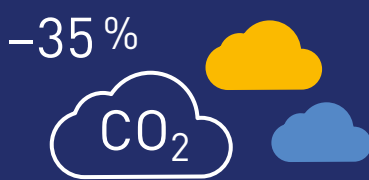


### Focus

Sustainable Development Goals (SDG), to which we are the largest contributor



### Challenge



35% of all emissions in the EU come from buildings



Amount of carbon emission budget in German construction sector until 2030



Increase in the EU's residential construction-cost index



100% carbon neutrality in Europe by 2050



Goal of EU-wide circular economy



Labor shortage due to demographic change

# Our Journey There

We follow a clear roadmap to achieve our ambitious goals. Based on our business model and the key levers, we have sharpened our sustainability strategy and focus.





**Environmental**

- Expansion of energy-efficient production processes and technologies
- Increased proportion of renewable forms of energy
- Increase of recycled materials in product manufacturing
- Improved circular-economy compatibility in our products and processes

**Social**

- Improvement of occupational safety and health
- Improvement of employee satisfaction and professional-development prospects
- Increase of diversity and equality of opportunities

**Governance**

- Improvement of sustainability performance in the supply chain
- Increased awareness and training about compliance

3

4



**Environmental**

- 30% reduction of CO<sub>2</sub> emission intensity (scope 1 and 2) by 2030\*
- Minimum 80% of input from recycled and reprocessed glass in mineral wool production by 2030

**Social**

- 0 occupational accidents
- 40% reduction of lost-time injury frequency rate by 2025\*
- 25% share of female managers at Group level by 2025
- 10% increase in annual training hours per employee by 2025\*

**Governance**

- ~100% of relevant suppliers comply with Supplier Code of Conduct
- Zero tolerance toward fraud, bribery, and anticompetitive activities
- #1 We strive to deliver an industry-leading customer experience

**Environmental**

- Reduction of carbon emissions
- Increase of building energy efficiency
- Conservation of resources through circular economy

**Social**

- Occupational safety and health
- Development and performance of our employees
- Diversity and equal opportunity in the working world

**Governance**

- Customer experience and satisfaction

\* base year 2019

# What We Have Achieved So Far

Our sustainability ambition is built on a strong foundation. Sustainalytics, a highly regarded sustainability ratings agency, rated us as the industry leader for ESG performance in 2020.

We will not take this as cause to rest on our laurels, though, as there is still much to be done. Nevertheless, we do feel validated and encouraged to continue our overall journey.

**»We can only achieve our ambitious targets with the skill, experience, and commitment of our workforce. We have already achieved much together, and we want to do even more and keep improving. We strengthen our high performance with on-going training, professional development, fair and performance-based remuneration, and an environment characterized by open-mindedness, respect, and diversity. This also means upholding our values and guidelines.«**

Christophe Clemente, CEO Xella Group

GOVERNANCE

80%   
local  
supply chains

0%   
tolerance for  
compliance  
breaches

# Achievements

100%   
code of conduct

>50%   
reduction of injury  
frequency since 2017

Resilient management  
of ESG issues\*



Xella Group  
sustainability  
performance



Low govern-  
ance risk  
compared to  
industry\*

INDUSTRY LEADER  
IN CONSTRUCTION  
MATERIALS\*



Low financial  
risk from  
ESG factors



No controversial  
business activities  
of importance

18%   
women in  
leadership  
positions

72%   
recycled and  
reprocessed  
glass at URSA  
mineral wool

4.0%   
reduction of  
CO<sub>2</sub> intensity  
(vs. 2019)

56%   
recycled water

2/3   
share of sales  
with sustainable  
products\*\*

SOCIAL

ENVIRONMENTAL

\* according to Sustainalytics ESG Risk  
\*\* definition: see footnote 2 → page 85

# About Xella

02

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## Xella stands for innovative, safe, and sustainable solutions for building and insulation materials.

The Xella Group is an international leader in energy-efficient construction and renovation at optimized costs. We are a pioneer in digital transformation with a strong culture of innovation. We improve the sustainability of buildings throughout their life cycle and create affordable housing.

2020 revenue \*



\* The EBITDA figures displayed are presented on a normalized, like-for-like basis. They therefore differ from our audited financial statements and information from other sources.



EBITDA margin\*



21.5%

Number of employees



>7,000

Number of countries present in



25

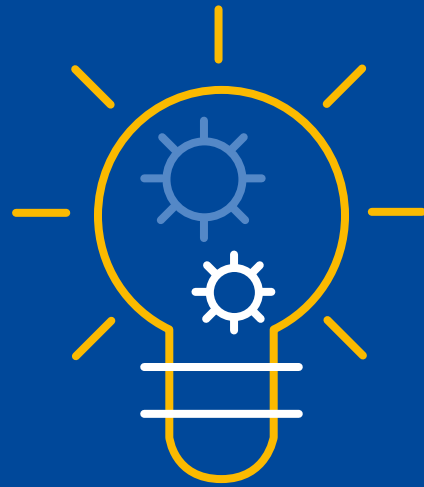
Number of plants



95

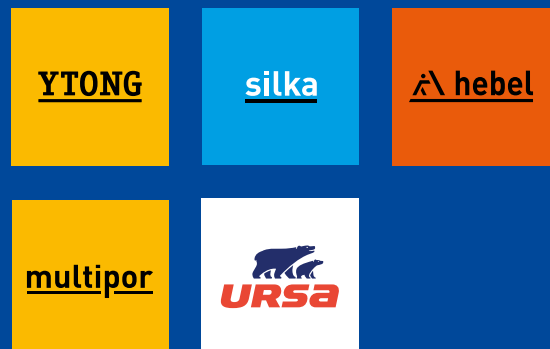
Future-proof

Innovativeness is in our DNA. The Xella Research and Development company (Technologie- und Forschungsgesellschaft) is a leading innovator in the development of building materials, construction techniques, and technologies.



Strong brands

for sustainable, long-lasting building and insulation materials



# Who We Are

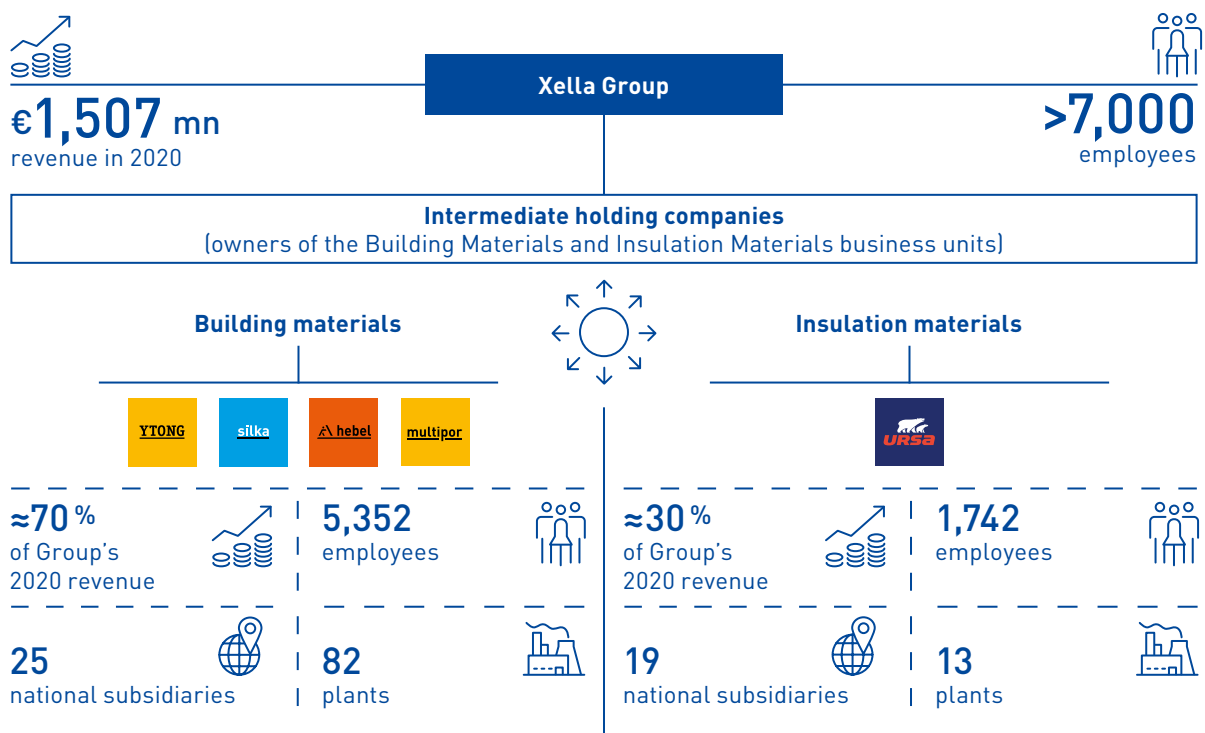
The Xella Group offers sustainable and innovative building materials, insulation materials, and services in relation to the building envelope. We are a pioneer in building-information modeling and one of the few building-material companies in Europe to have its own research center.

The Xella Group is based in Duisburg, Germany, and operates 95 plants and sales subsidiaries in 25 countries. Xella and its roughly 7,000 employees have a leading position in many of its markets. Our key markets include Germany as well as the Netherlands, along with building materials in Poland and insulation materials in France.

### Our Business Model

Xella's success is based on strong brands, a superior portfolio of services, a robust business model, and cost leadership, the latter of which we have expanded determinedly, too. Our highly recyclable construction products are based on natural resources, and our insulation materials provide maximum insulation performance. All

## The Xella Group – energy-efficient and affordable building-material solutions since 1928



## The world of Xella – local roots, Europe-wide operations



our products are manufactured and used sustainably. We are, and remain, a pioneer when it comes to digital services in relation to building-envelope planning.

The Xella Group’s business rests on two pillars: Building Materials and Insulation Materials (see illustration). Xella International S.A., based in Luxembourg, is the parent company and 100% owner of the intermediate holding companies that represent the two business units. The Building Materials business unit is represented by XI (BM) Holdings GmbH, based in Duisburg, along with its first- and second-tier subsidiaries in Xella’s market regions. It is simultaneously the 100% owner of Xella International GmbH, based in Duisburg.

XI (INSMAT) Holdings GmbH, based in Duisburg, is the holding company for the Insulation Materials business unit, operating jointly with all its national subsidiaries. The Xella Group’s considerable innovation and research operations fall under Xella Technologie- und Forschungsgesellschaft mbH, an independent subsidiary of Xella International GmbH. US-based financial

investor Lone Star has been the Xella Group’s owner since 2017.

### Our Performance

The Xella Group’s consolidated revenue amounted to € 1,507 million during the 2020 fiscal year. Despite the year’s challenges resulting from the coronavirus pandemic, consolidated revenue only incurred a slight year-on-year loss of 4.5%. Thanks to the resilience and flexibility of our cost structure, the EBITDA of the Xella Group even increased by 5.6% to € 323 million during the 2020 reporting period\*, with an EBITDA margin of 21.5% (previous year: 19.3%). We are consequently continuing the Xella success story of recent years.

The Building Materials business unit contributed about 70% of the Group’s revenue in 2020, Insulation Materials roughly 30%. Broken down by region, Germany is our largest market with a 28% share of revenue.

\* The EBITDA figures displayed are presented on a normalized, like-for-like basis. They therefore differ from our audited financial statements and information from other sources.

# What We Do

With highly regarded brands such as Ytong, Silka, Hebel, Multipor, and URSA, we are one of the most successful solution providers for building and insulation materials. Our products make an important contribution to the construction of long-lasting, affordable, and environmentally friendly buildings.

## Our Building Materials

Xella building materials are based on natural mineral resources such as limestone, sand, cement, and water. They are recyclable and therefore compatible with a circular economy. They also possess outstanding properties such as thermal insulation, noise absorption, and fire safety, and foster a healthy indoor climate.

### Autoclaved Aerated Concrete

Our white autoclaved aerated concrete (AAC) materials are characterized by ultra-efficient thermal insulation, optimum fire protection, and a high load-bearing capacity. They deliver excellent results in life-cycle assessments.

- **Ytong:** AAC
- **Multipor:** mineral insulation boards for indoor and outdoor use
- **Hebel:** large-scale wall elements and roofing panels

### Calcium Silicate

Solid calcium-silicate blocks have proved themselves in practice for decades and are a traditional, sustainable building material for walls. Our **Silka** calcium silicate units are highly pressure-resistant, are produced in an ecological and climate-friendly manner, and ensures a pleasant indoor climate during summer and winter.



Xella building and insulation materials feature outstanding properties such as thermal insulation, noise absorption, fire safety, and a healthy indoor climate.



## Our Insulation Materials

The high-performance insulation materials from URSA guarantee excellent insulation quality for a diverse range of uses. They lower building energy demand, have an extremely long life, are easy to work with, and are in large part made from recycled materials.

### Mineral Wool

URSA mineral wool is one of the most efficient and user-friendly thermal and acoustic insulation materials there is, from both an environmental and an economic point of view. Non-flammable and easy to work with, it is ideal for safe thermal and acoustic insulation in pitched roofs, partition walls, exterior walls, and ceilings.

### XPS Foam

URSA extruded polystyrene (XPS) uniquely combines the three properties of thermal insulation, pressure resistance, and water impermeability. It is ideal for technologically demanding applications such as foundations and flat roofs. URSA XPS is manufactured in an environmentally friendly way, using only carbon dioxide as a foaming agent and air as the cell gas.



## digital planning@xella

We are a pioneer of digital transformation. We link analog building materials with digital services to improve building planning, shorten construction times, lower building costs, conserve resources (minimizing waste), and optimize building-site logistics.

blue.sprint, the digital planning service from Xella, offers all the services that make a construction project easier, faster, and more cost-effective from the outset, from 3-D project planning to optimized material choices and individual pre-picking as well as just-in-time inventory.

**The digital planning services at Xella lower costs, save time, and conserve valuable resources**



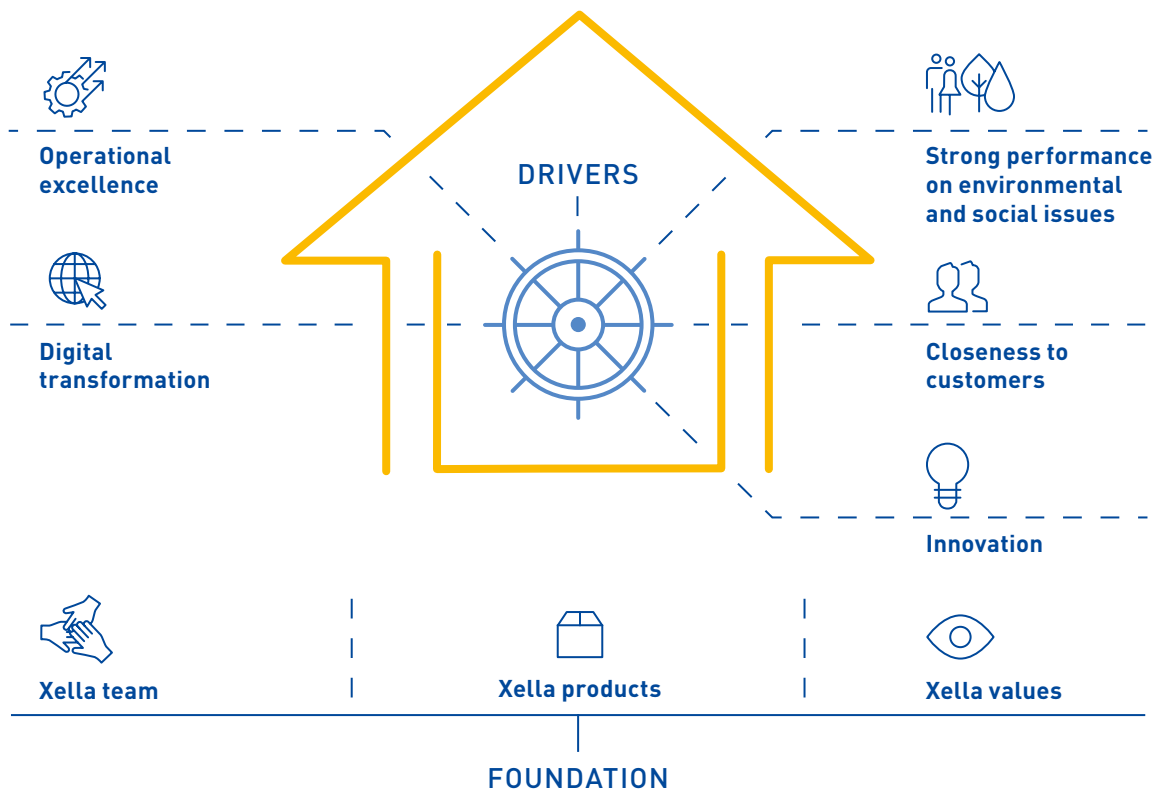
# How We Think about the Future

Xella is a unique powerhouse with a business strategy rooted in excellence, strong ESG performance, and innovativeness. Our technology and research center is a global leader in our industry and a foundation for dependable renewal and forward-looking action.

The Xella ESG strategy is an integral element of our corporate strategy and vision for the future. The quality and success of the Xella Group are expressed not only in our financial results, but also in the social impacts of our activities and

in the foresight of our decision making. We look toward the years that are coming with a strong focus on elevating our ESG performance, digital transformation, innovation, and close engagement with our key stakeholders.

## The Xella powerhouse



### **Innovation for a More Sustainable Building-Materials Industry**

Our high level of innovativeness is a pillar of Xella's success. A core component of our value chain are our research and development operations. It makes a significant contribution to improving formulas, production processes, and quality-assurance processes, and in turn contributes to key aspects of sustainability such as thermal-insulation performance and our products' recyclability.

Xella is one of the few building-materials companies in Europe to have its own technology and research company. It ranks among the world's

leading research centers, conducting foundational research and developing sustainable building materials, market-oriented products, and efficient construction techniques and technologies. The research center is also an accredited testing center for mechanical/technological and physical tests on building products.

We have opened up our innovation process to the outside world with our open-innovation approach. We maintain dialog with customers, research facilities, universities, and other businesses in the construction industry.



## **Memberships and initiatives**

We maintain active memberships in associations and initiatives to achieve our ambitious sustainability targets and exchange industry knowledge.

### **Sustainability**

- UN Global Compact, UNGC (since 2021)
- German Industry Initiative for Energy Efficiency, DENEFF
- German Sustainable Building Council, DNGB (Xella Aircrete Systems GmbH as the company for products under our Hebel brand)
- GIH e. V. "The National Stakeholder Group for Energy Advisers"

### **Building-Materials Industry**

- Verband Bauen in Weiß, VBiW (White Material Construction Association)
- European Aerated Autoclaved Concrete Association, EAACA
- European Calcium Silicate Producers Association (ECSPA)
- Deutsche Gesellschaft für Mauerwerks- und Wohnungsbau e. V., DGfM (German Society for Masonry and Housing Construction)
- Bundesverband der mineralischen Bauprodukte, BBS (National Mineral Building Product Producers Association)
- Deutscher Ausschuss für Mauerwerk e. V., DAfM (German Masonry Committee)



»With its excellent contribution to research, product development, and standardization, the Xella Technology and Research Company is of incalculable importance to the construction sector.«

**Professor Oliver Kornadt**  
Technische Universität Kaiserslautern



Safely withstanding maximum loads



# Our ESG Strategy

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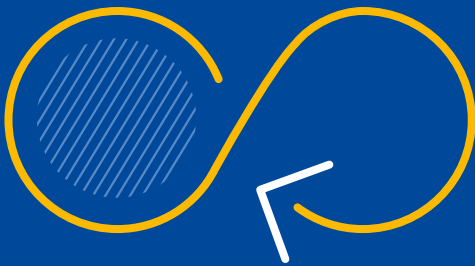
**Our mission is to enable energy-efficient, long-lasting, and affordable housing and commercial real estate, as sustainably as possible. We also seek to be industry pioneers for our core ESG themes.**

We carried out a comprehensive revision of our ESG strategy in 2020 and sharpened our focus as well as our ambition. Moreover, the Xella ESG strategy is an integral element of our corporate strategy.

# We are industry pioneers

## Circular economy

We are one of few AAC manufacturers to have an established cradle-to-cradle process for waste minimization



## Energy efficiency

Xella's product and system solutions ensure maximum energy efficiency and contribute to carbon emission reductions



## Digital transformation

Xella has the highest level of digitization in the industry, reducing waste and costs while increasing construction-project efficiency



# Our ESG performance\*

- Low governance and financial risks from ESG compared to industry
- Resilient management of ESG issues
- Innovation driving sustainability

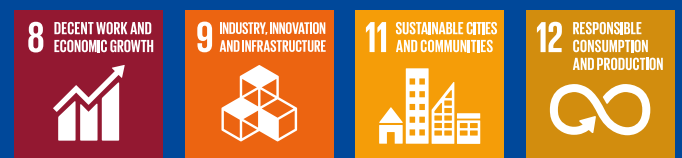
\* according to Sustainalytics ESG Risk Rating 2020

Over 100 internal and external stakeholders have helped us sharpen our material ESG themes

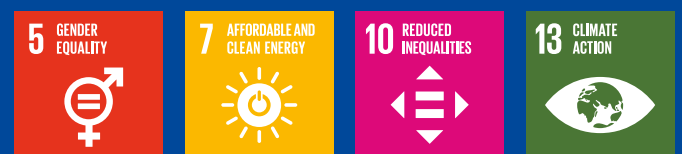


# Our contribution to the Sustainable Development Goals

SDG mapping to measure effectiveness



Core SDG indicators



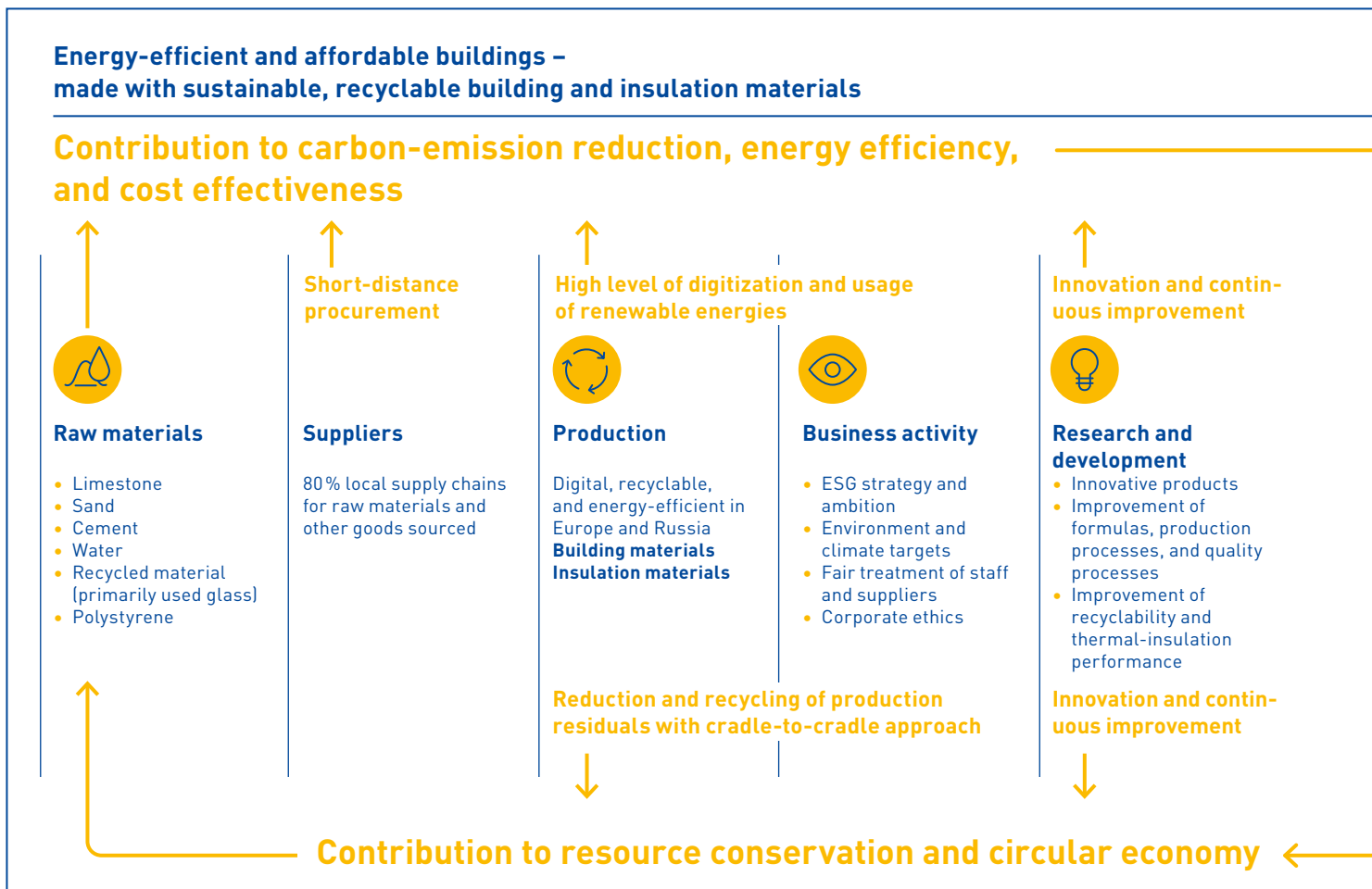
Supporting SDG

# Drive and Value Adding

Xella stands for healthy, sustainable, and affordable housing. We offer solutions for energy-efficient construction and renovation at optimized costs. Local value chains and natural, recyclable resources form the basis for this.

Xella has in recent years developed from purely a manufacturer of building and insulation materials into a customer-focused provider of solutions for the entire building envelope. We strive to enable energy-efficient, long-lasting, and

affordable housing and commercial buildings, doing so as sustainably as possible. In line with this mission, our sustainability strategy forms an integral element of our corporate strategy.



## All Xella building materials are based on natural resources and are highly recyclable

Our products, manufacturing processes, management processes, and supply chains are designed to fulfill high environmental, social, and governance standards. Our aim is always to use human, natural, and financial resources the best way possible to serve sustainable development.

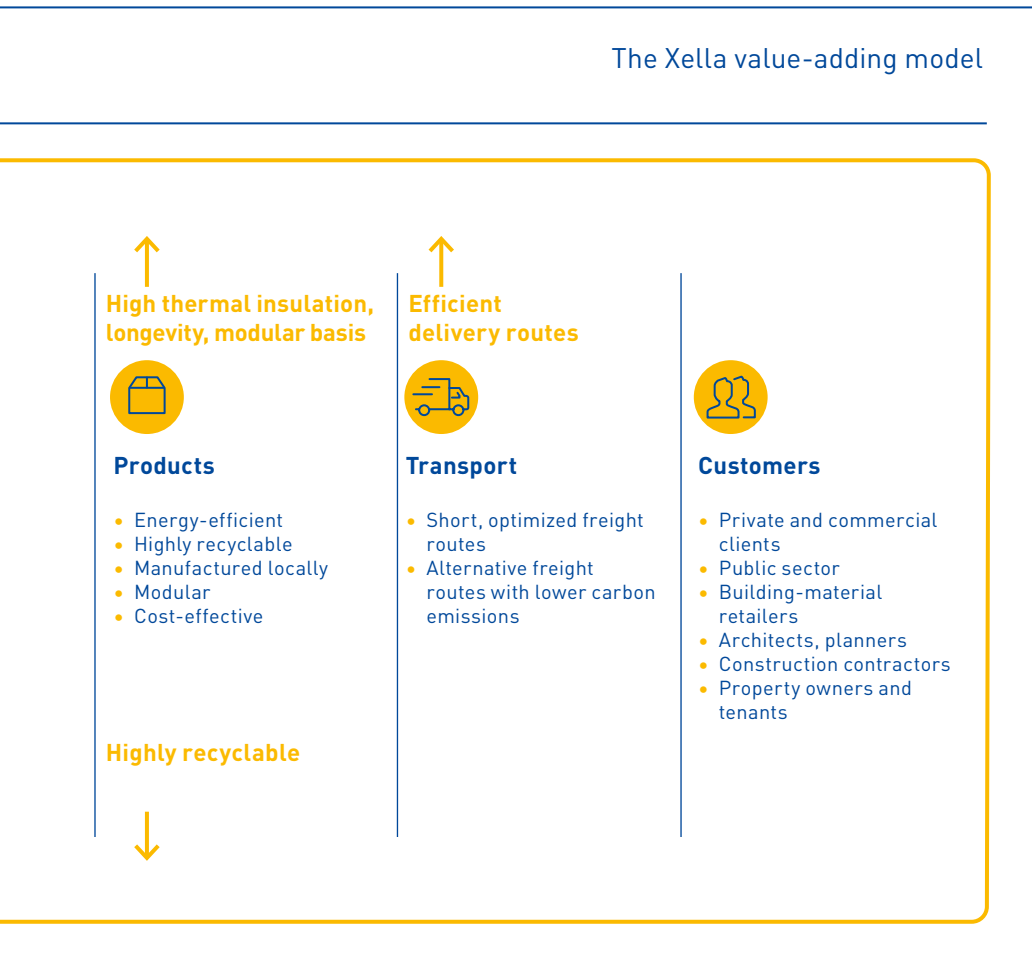
We fundamentally revised our ESG strategy in 2020 and sharpened our focus as well as our ambition. We did so in close dialog with our stakeholders, with a view to the material sustainability themes within our business model and the ESG impact that we could attain. We carried out extensive SDG mapping for this so that we could reveal our specific contribution to the achievement of the United Nations' Sustainable Development Goals. We also support this by participating in the UN Global Compact.

### Our Added Value

We have supplied solutions for energy-efficient construction and renovation based on our company values for almost 100 years. In the future, too, we want to satisfy the needs of our customers with our building and insulation materials and, what's more, contribute to global energy efficiency and carbon-emission reductions. We contribute to decarbonization and the protection of our environment with our product portfolio as well as our production, which optimizes energy and resource consumption.

## 72% of URSA mineral wool is made from recycled and reprocessed glass

The Xella value-adding model



Our sustainability mission also involves responsibility for our employees, who are the foundation of our long-term success. For us, it is unquestionable that we support their health, professional development, and satisfaction. By dealing with our suppliers and contractors in an appreciative, cooperative manner, we create a basis for tackling the sustainability challenges that can only be overcome together, such as the reduction of our Scope 3 carbon emissions.



### Opportunities and Risks

By systematically directing our value-adding toward resource conservation and recyclability, we have paved the way for an environmentally friendly, future-proof business model. All Xella building and insulation materials are comprised almost entirely of natural resources. We source the raw materials for our products from suppliers in the local region of our production facilities. Our mineral-wool and XPS insulation materials are already largely made from recycled materials. Our products contribute to buildings being energy-efficient and long-lasting.

**We source our key raw materials from the local region – for short freight routes and a strong local economy**

Our products have high thermal-insulation performance and deliver cost advantages from modular, highly standardized, and digitized production methods, letting us enable affordable housing that satisfies the energy-efficiency requirements of today and tomorrow, thus

making a significant contribution to the social aspect of sustainability. The Insulation Materials business unit additionally ensures that building renovations increase energy efficiency, helping reduce carbon emissions. With a corporate culture focused on innovation and continual improvement, we believe that we have the perfect preparation for the challenges of the future in achieving an environment- and human-friendly economy. These are opportunities that we want to use as we pursue sustainable business development.

Right now we already have robust ESG management in place, which was attested to when Sustainalytics awarded its sustainability rating during the reporting period as an assessment of our current sustainability performance. Compared to the industry, our business activity also boasts low governance and financial risks arising from aspects of ESG. Details about our ESG management structures can be found in the chapter → [“Our Governance.”](#)

# Materiality and Stakeholders

It is always our overarching goal to use human, natural, and financial resources to serve sustainable development. We maintain constant dialog with our stakeholders so that we can achieve this goal the best way possible.

Relevant stakeholders for Xella include groups, institutions, or persons with which we directly or indirectly have a close relationship through our business activities and that have an interest in our actions. We use a number of formats and channels for regular exchange with them (see illustration). We do this firstly to promote mutual understanding and establish trust with

open, constructive dialog. Secondly, we do this to continuously identify matters that are seen as material in view of our surroundings and for the purposes of our corporate responsibility. The relevance of the stakeholder issues identified is assessed once every year and was last done at the end of 2020.

## Stakeholders and dialog channels





Energy efficiency and a circular economy are especially important to our stakeholders

### In Dialog

We have grouped the stakeholders along our value chain for the building- and insulation-materials lines of business and rated them in terms of their relevance to our business model. Our late-2020 online survey on the material aspects of ESG for us was composed according to this prioritization. Over 100 internal and external stakeholders gave us valuable feedback which we weighted in accordance with the stakeholders' relevance.

**In addition to an intensive benchmark analysis, over 100 lots of feedback from internal and external stakeholders were incorporated into the evaluation of our material ESG themes – complemented by roughly 30 in-depth interviews**

To deepen and verify this feedback, about 30 further qualitative interviews were held with representatives of all stakeholder groups through an

external consulting firm. We used the following as a basis to determine the material ESG themes that were provided for ranking and commenting in the online survey:

- Constant contact with the various stakeholder groups
- Peer-group benchmarking
- Trend analyses
- General and industry-specific requirements under the Global Reporting Initiative (GRI) and Sustainable Accounting Standards Board (SASB) transparency standards
- Other industry and scientific studies

We applied the principle of double materiality to the survey. We asked for an evaluation of the impacts of our business activity on ESG aspects and on our stakeholders' assessment and, conversely, the current and future impacts of aspects of ESG on our business model. The feedback from our stakeholders emphasized the exceptional importance of environmental issues in both dimensions of materiality, particularly the aspects of energy efficiency in production and products and of the circular economy. They see these topics as crucial for the entire construction industry and for the Xella business



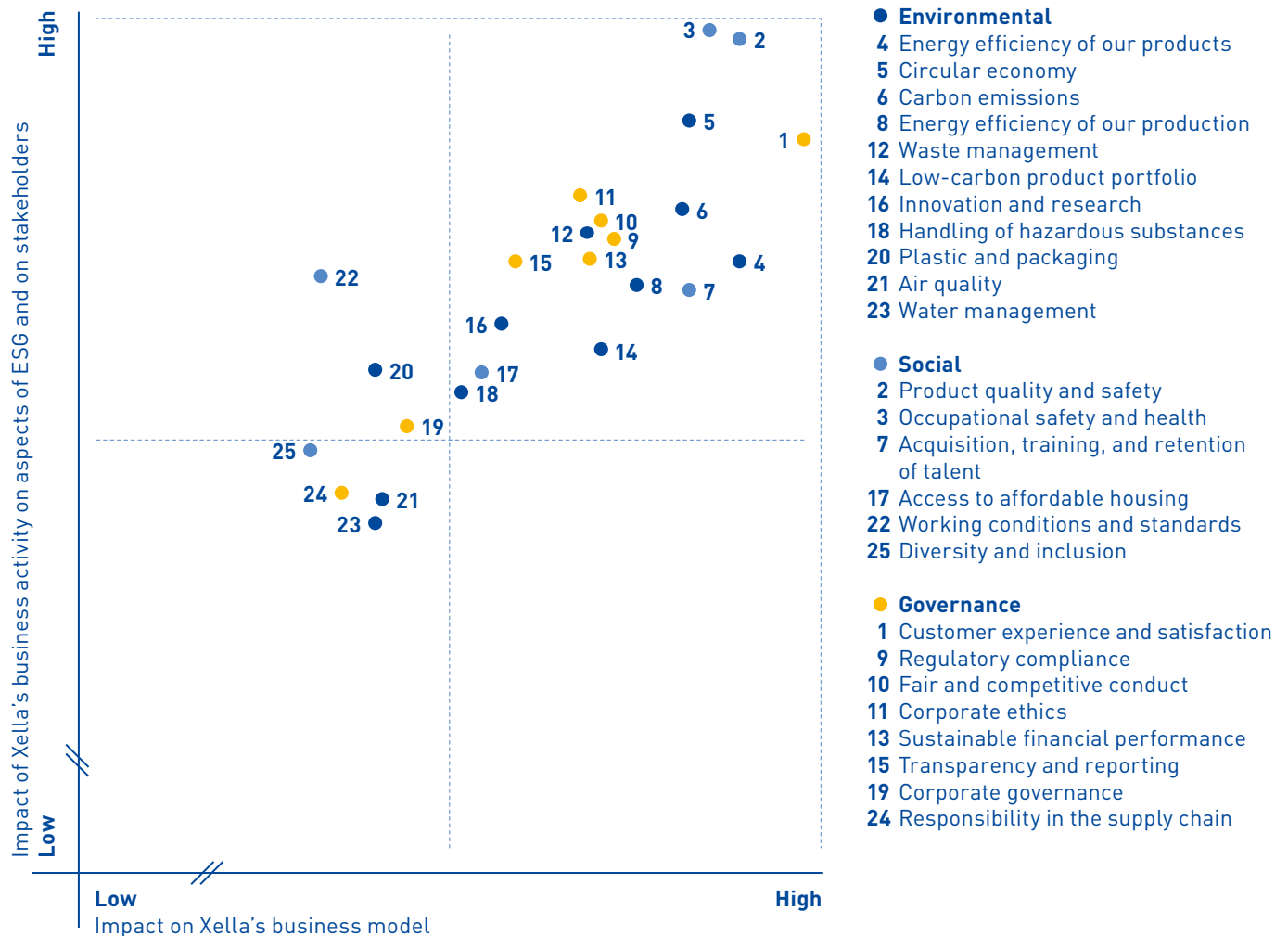
model. Internal stakeholders also emphasized the aspect of occupational safety and health.

**Material ESG Themes**

The results of our stakeholder survey form the basis for the reevaluation and sharpening of our sustainability initiatives and targets that took place during the reporting period. The materiality matrix (see illustration) is an important snapshot of the perspectives within the ecosystem in which we operate and on which we depend for our success and social acceptance. We developed our future ESG focus based on this prioritization.

We will regularly revise our ESG focus and expand it with a long-term view. We will make structured assessments of the themes that may increase or decrease in importance for us in the future and of how our business model can be adapted to global challenges and opportunities in the field of sustainability. To facilitate this, we will remain in dialog with our key stakeholders and obtain their feedback about material themes and our plans.

**Xella materiality matrix for 2020**



# Focus and Impact

We aim to be trailblazers. We have sharpened our ESG focus with a clear ambition to be a pioneer. This focus guides us on our journey to use the opportunities and positive sustainability effects of our business even more strategically. It also shows where negative impacts can be reduced further.

Our business model gives us a great deal of possibilities for positive impacts with a relatively small number of negative impacts. The environment as well as society benefit from our energy efficiency, our recyclable products, our strong commitment to practicing a value culture and employee development, and our innovation.

We make active use of these levers for a positive influence. That is why we undertook extensive SDG mapping during the reporting period to obtain a sophisticated understanding of our contribution to achieving the United Nations' Sustainable Development Goals.

## Our contribution's impact



- Education and training / apprenticeships
- Fair treatment of staff and suppliers
- Efficient use of resources



- Modernization of the construction and renovation sectors
- High-quality, energy-efficient buildings
- Research and innovation



- Contribution to affordable, long-lasting housing
- Swift, cost-effective construction
- More energy-efficient construction and renovation



- Circular economy with natural materials
- Use of recycled materials
- Prevention of waste

### Core SDG indicators



- Specific targets for more women in leadership roles



- Energy-efficient production and products
- Increase in share of renewable energies



- Group-wide antidiscrimination and diversity standards



- Carbon-reduction strategy for production and products
- Increased attention internally and in the supply chain

### Supporting SDG





### Our ESG Focus

Targets require determination. For this reason, we have adopted two levels of ambition that are

based on the circumstances of our business. For a sharper focus and improved effectiveness.

#### Being a pioneer

We want to remain a leader where we already are one, for example when it comes to circular economies and innovation. We wish to lead the way in the industry on other matters, too.

			
<p><b>Climate change</b></p> <ul style="list-style-type: none"> <li>• Carbon emissions</li> <li>• Energy efficiency of production and products</li> </ul>	<p><b>Circular economy</b></p> <ul style="list-style-type: none"> <li>• Sustainable, recyclable materials</li> <li>• Reuse of waste from production, construction, and demolition</li> </ul>	<p><b>Employees</b></p> <ul style="list-style-type: none"> <li>• Occupational safety and health</li> <li>• Development and performance</li> </ul>	<p><b>Customers</b></p> <ul style="list-style-type: none"> <li>• Customer experience and satisfaction</li> <li>• Product quality and safety</li> </ul>

#### Continually developing

We wish to improve systematically and be a trailblazer even on matters where we have less leverage over the impact.

				
<p><b>Employees</b></p> <ul style="list-style-type: none"> <li>• Acquisition and retention of talent</li> </ul>	<p><b>Social responsibility</b></p> <ul style="list-style-type: none"> <li>• Access to affordable housing</li> </ul>	<p><b>Suppliers</b></p> <ul style="list-style-type: none"> <li>• Responsibility in the supply chain</li> </ul>	<p><b>Other environmental issues</b></p> <ul style="list-style-type: none"> <li>• Handling of air, water, hazardous waste, and biodiversity</li> </ul>	<p><b>Compliance</b></p> <ul style="list-style-type: none"> <li>• Corporate ethics</li> <li>• Transparency</li> <li>• Governance and regulation</li> </ul>

The development of our ESG focus encompassed a voluntary rating by ESG-ratings agency Sustainalytics during the reporting period. It concluded that we are the industry leader in Sustainalytics' studies in the sector. To strengthen our strategy execution, we also evaluated all sustainability initiatives, widened our ESG metrics, and established a database for structured calculation and monitoring of sustainability information.

The concrete targets that we set ourselves in the fields of environment, social, and governance for the short and long terms are explained as specific themes over the following chapters, with an illustrated overview in the chapter → [“Our Ambition.”](#) Here we put the focus on the impact of our contribution to realizing the global Sustainable

Development Goals and the ESG performance that we are taking on and can achieve based on our business model.

Our ESG focus for the coming years is underpinned by the need for action that we identified and the possibilities we have for exerting an influence. They are comprised of:

1. The materiality determined jointly with our stakeholders.
2. Our key levers for impact and influence in relation to an aspect of ESG identified as material.
3. Our current management's performance in dealing with an aspect of ESG.

# Our Environment 04

## Contents

- 34 Environmental Management
- 36 Climate and Energy
- 39 Resources and Recyclability
- 43 Water and Waste Management

We want to minimize our environmental footprint and incorporate ecological considerations into our products and production at all times. We have set ambitious targets for the coming years. We are seeking to make our processes as environment- and climate-friendly as possible.

## SDGs: our key contributions



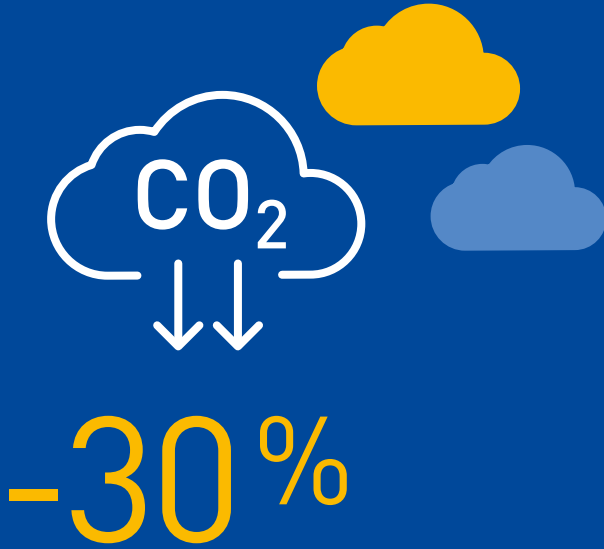
Core SDG indicators



Supporting SDG

# Our Targets for Environment and Climate Protection

Reduction of our CO<sub>2</sub> emission intensity (scope 1 and 2) by 2030\*

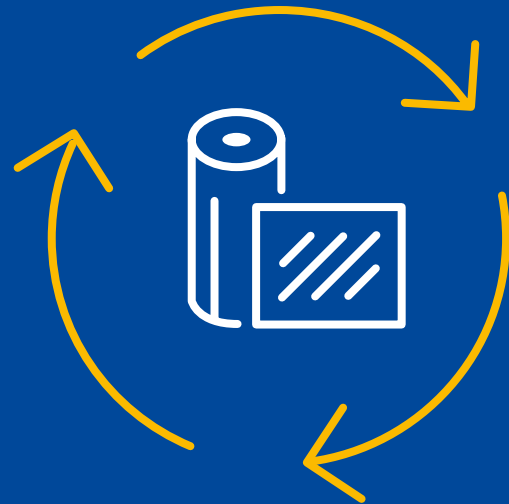


Building Materials targets  
Improvement of circular-economy attributes for all products and in production as a whole



\* reference year 2019

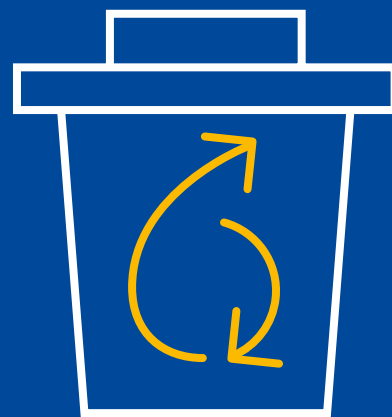
URSA insulation targets  
Stronger use of recycled and reprocessed materials by 2030



**> 80%**  
mineral wool\*\*

**50%**  
XPS\*\*

Upcycling of production waste by 2030



**75%**  
mineral wool

**> 92%**  
XPS

\*\* recycled glass/polystyrene, the main raw materials in these products

# Environmental Management

We require natural resources and are forced to emit carbon when we manufacture our recyclable and energy-efficient products. To keep the impacts as minimal as possible, we are committed to environment- and climate-friendly production.

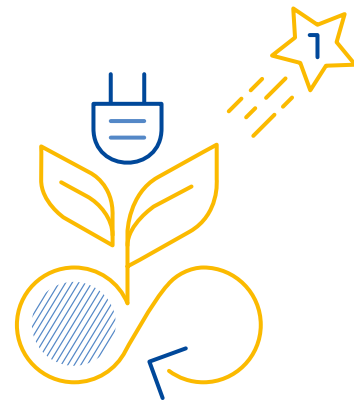
At Xella, protecting the environment and climate requires sophisticated processes and is technologically complex to achieve. For these reasons, we have distributed the operational responsibility for these issues across three different divisions: Environment, Health, and Safety (EHS); Energy Management, and Technology. The three heads of these divisions report directly to the CEO of the Xella Group, who makes the final decision in consultation with the ESG SteerCo. ESG SteerCo (see the chapter → “Our Governance”) is the most senior ESG committee and monitors strategy, targets, and initiatives for environmental matters.

## Policies for Environment and Climate Protection

The Environment Policy, which applies across the Group, creates the framework for the key environmental and climate-related issues at the Xella Group. It falls within EHS’ area of responsibility and governs actions for the following issues:

- Energy and power consumption
- Gas and fuel consumption
- Circular economy and waste
- Water consumption

Moreover, in 2020 we introduced a separate Water Management Policy as well as a Waste Policy in order to make our management approach for these issues even more systematic.



## Industry leadership as a goal

We set two key focus areas for our environmental management. We wish to lead our industry in:

1. Expanding energy efficiency (contributing to climate protection)
2. Expanding recyclability (contributing to resource conservation and waste prevention)

We have the greatest leverage for these focus areas, both in terms of products as well as our manufacturing processes.



Swallows fly back every year. We plan our sand harvesting based on their schedule. So they can keep dropping in on us year after year



# Climate and Energy

With our targets and initiatives, we make a measurable contribution to containing climate change. We want to and will do our part for this ultimate challenge for society and the global economy.

The individual manufacturing steps in our value chain are energy-intensive. It is thus both economically and environmentally prudent for us to conserve energy and use it efficiently. Simultaneously, the greatest leverage we have for reducing carbon emissions is in energy consumption, especially at our production sites. Other greenhouse-gas emissions have more of an inferior role in the manufacturing of our products.

## **We want to reduce our carbon intensity (scope 1 and 2) by 30% by 2030**

We are seeking to reduce the intensity of our Scope 1 and 2 carbon emissions: 30% across the Group by 2030, compared to the reference year of 2019. Our business model offers us various options for contributing to decarbonization in the construction and renovation sector: In our production by increasing energy efficiency, in our products so that carbon emissions from buildings are reduced during the usage stage, and in our supply chain as a buyer of raw materials.

We want to achieve our target for 2030 by using a defined action plan. We have a constant eye on the latest technological developments so that we can consider additional technological opportunities for reducing our carbon emissions. For our initiatives, we rely on:

- Photovoltaic panels on the rooftops of our production sites
- Energy-saving LED lighting solutions
- Exchanging steam generators for more carbon-friendly alternatives (such as gas)
- Boosting procurement of renewable energy
- Investing in cogeneration, particularly in the Insulation business unit
- Replacing old machines with newer, more energy-efficient systems
- Expanding our “green logistics programs” (rail, water, electric vehicles, optimal utilization of freight and logistics capacities)

### **What We Have Achieved So Far**

We reduced our carbon intensity by 4.0% year on year during the 2020 fiscal year. This shows that the initiatives we launched are having a positive effect. We use the market-based method under the Greenhouse Gas Protocol as a basis for calculating our CO<sub>2</sub> emissions. Basically, all reported emission data are related to CO<sub>2</sub>, CO<sub>2</sub> equivalents are not considered. The change in the Xella Group’s carbon intensity between 2019 and 2020 is based on the weighted share of carbon emissions from each product category (see “Key Figures” for details).

We endeavor to optimize our logistics processes even outside our own production operations. We have rolled out green logistics programs in several of our countries.





In France, for example, 50% of our company-owned forklifts are already electric.

### Scope 3 Emissions

We want to reduce the carbon emissions that we have a direct influence over. What's more, we also want to reduce our scope 3 emissions in the upstream and downstream parts of the value chain. Cement and limestone in particular are two of our base materials in the building-materials segment. They are very carbon-intensive during manufacturing. We previously did not set a measurable target because the possibilities for influencing the carbon output of our suppliers are limited. We maintain a dialog with most of our suppliers so that we can work together on less carbon-intensive solutions.



## Energy efficiency of our products

Our research continuously works on improving the insulation capacity and thermal conductivity in our products and solutions. Consequently, we make a significant contribution to energy-efficient construction and renovation. We help reduce the carbon emitted by buildings (see also the chapter → "[Products](#)").

Another of our desires is to reduce carbon emissions from freight. In France, we are now already supplying some customers completely via rail. In Slovenia, 20% of deliveries are done by train. In Belgium and the Netherlands, we use canals and waterways for freight wherever possible. In doing this, we also reduce the burden on roads and cities. Furthermore, we work on constantly optimizing our supply routes in all Xella countries so that we avoid additional transport.

For our products, we engage in intensive research and development to try and change their formulas, with an aim of increasing the use of climate-friendly raw materials.



Trying a different route to stop carbon emissions from freight, too

**Our 2020 CO<sub>2</sub> emissions\***  
in metric tons of CO<sub>2</sub>

Total	<b>656,386</b>
Direct (Scope 1)	<b>442,575</b>
Indirect (Scope 2)	<b>213,811</b>

**CO<sub>2</sub> intensity change from 2019 to 2020** based on the weighted share of CO<sub>2</sub> from each product category\*

**-4.0%**



\* Scope 1 and 2 according to the market-based method under the GHG Protocol. Reported emission data are related to CO<sub>2</sub>. CO<sub>2</sub> equivalents are not considered. Scope 3 emissions cannot be calculated at this point in time.

**2020 CO<sub>2</sub> intensity by product category\***  
in kilograms of CO<sub>2</sub> per cubic meter

AAC	<b>31</b>
Calcium silicate	<b>40</b>
Multipor	<b>38</b>
XPS	<b>8</b>

**2020 CO<sub>2</sub> by product category\***  
in kilograms of CO<sub>2</sub> per metric ton

Mineral wool**	<b>920</b>
----------------	------------

\*\* Plants briefly had to interrupt their production due to the Corona pandemic. However, the furnaces' energy demand remained almost level.

# Resources and Recyclability

Xella building materials are primarily made up of natural resources and are almost fully recyclable. Our insulation materials already largely consist of recycled materials. Accordingly, the circular economy is a key aspect of our ESG strategy. While it is clearly beneficial for environmental reasons, it also offers enormous economic opportunities for us.

In a circular economy, a product becomes a raw material again at the end of its life, which conserves natural resources and reduces waste to a minimum. This circularity begins with the raw-material consumption, and we continuously try to increase the proportion of recycled materials while reducing the need for primary raw materials.

## Innovation for Circular Processes

Our Research and Development and Technology divisions oversee the ongoing development of our products' recyclability. When these two divisions work in synergy, we can obtain the best possible results. Individual Xella products have different levels of recyclability, so the two divisions are present in both the Building Materials and the Insulation business units.



## Did you know?

Xella is one of the largest kitty-litter manufacturers in Germany thanks to its sustainable AAC reuse.

## Building Materials

For AAC, we differentiate between two material ways of promoting circularity:

### 1. Reusing materials in our own products

We employ various methods to reuse materials:

- **AAC cutting waste and scraps from our own production**, which are crushed into AAC granulate and then immediately returned to AAC production. This is our most frequent type of reuse. Xella Research and Development consistently works on raising the proportion of AAC granulate as a substitute for primary raw materials without modifying the properties of Xella products. Additionally, Research and Development works with its colleagues in Technology to develop processes and invest in machines so as to ensure better usage of our products' recyclability.
- **Leftovers from our customers' construction sites** ("big bags," see p. 41).
- **Purchasing material from horizontal competitors** that have not established a circular economy. We purchased roughly 16,000 m<sup>3</sup> of additional AAC material in 2020.
- **Old AAC from building rubble** so that these buildings become raw-material suppliers. To this end, we began a pilot project with a waste-disposal specialist to separate out

and obtain the old AAC in mixed rubble and return it to the production of new AAC.

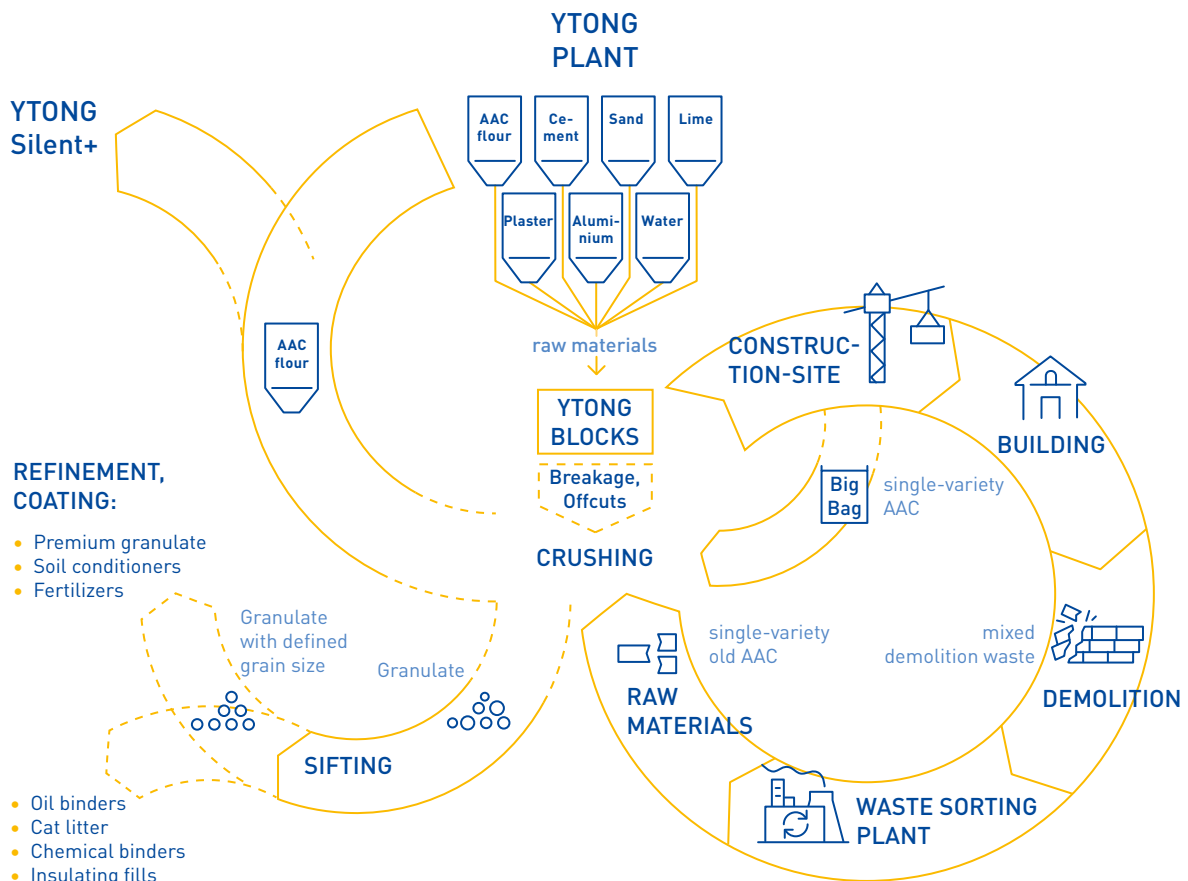
- We are also working on CSU, for which we are constantly improving the reuse of scraps. In the Netherlands, for example, we already use leftover calcium silicate units in production. It is processed using portable crushers and screening plants. The resulting material can be used for up to 20% of a product.

## 2. Using recycled materials to manufacture new products

We find an alternative use for materials that we cannot return to our production processes at the end of their life cycle. As a consequence, AAC powder and granulate can be used as a raw-material substitute for other building materials such as cement or for new products. AAC serves as a binding agent for oils and chemicals, as loose-fill insulation for drywall, or particulate for environmental uses, even for kitty litter. We use only cutting waste and scraps for products such as these. Our URSA mineral wool, for instance, is made into acoustic panels.

### Ytong AAC recycling process

As one of few AAC manufacturers to have an established cradle-to-cradle process for waste minimization, we are industry pioneers.



## Leftover AAC from construction sites

Using our “big bags,” we have been collecting leftover AAC on our customers’ construction sites since 2016 and using it in our production. We have collected roughly 30,000 big bags and over 22,000 metric tons of cutting waste and scraps in Germany since 2016. After introducing them to Germany and Denmark, we have now begun rolling out this service to Xella’s other countries.



## Insulation Materials

When it comes to the value chain for manufacturing mineral wool and extruded polystyrene foam (XPS), we will align it more strongly with a circular economy over the coming years. In our own production, we rely on direct reuse of production scraps and cutting waste. They are collected, processed, and become raw materials for production again. About 90% of all XPS production cutting waste and just under 50% of mineral wool cutting waste at URSA plants is already directly returned to the production cycle. To increase the share of our waste in this cycle, we will invest in additional waste crushers and glass furnaces and establish the processes needed for them.

**The share of recycled and re-processed glass in URSA mineral wool is 72%. We wish to raise that to at least 80% by 2030**

### High Level of Recycling in Insulation Materials

The most important raw material when manufacturing mineral wool is silica sand. It is one of the most abundant minerals on Earth, however it is becoming increasingly scarcer. Today we already use 72% external cullet and internal, processed production leftovers for manufacturing URSA mineral wool, which reduces our need for sand. We depend on this cullet being of a high quality, and we are developing processing methods so that we can also use lower-quality cullet and mineral wool from rubble.

**Of the externally sourced polystyrene for URSA XPS, 41 % is recycled material. This proportion is planned to increase to 50 % by 2030**

Recycled material makes up 41 % of the externally sourced polystyrene that we use for manufacturing URSA XPS. Our aim is to increase the use of recycled and reprocessed glass in mineral wool to over 80 % by 2030. This is no easy task, but we have shown with products such as URSA PUREONE mineral wool that quotas of over 90 % are possible.

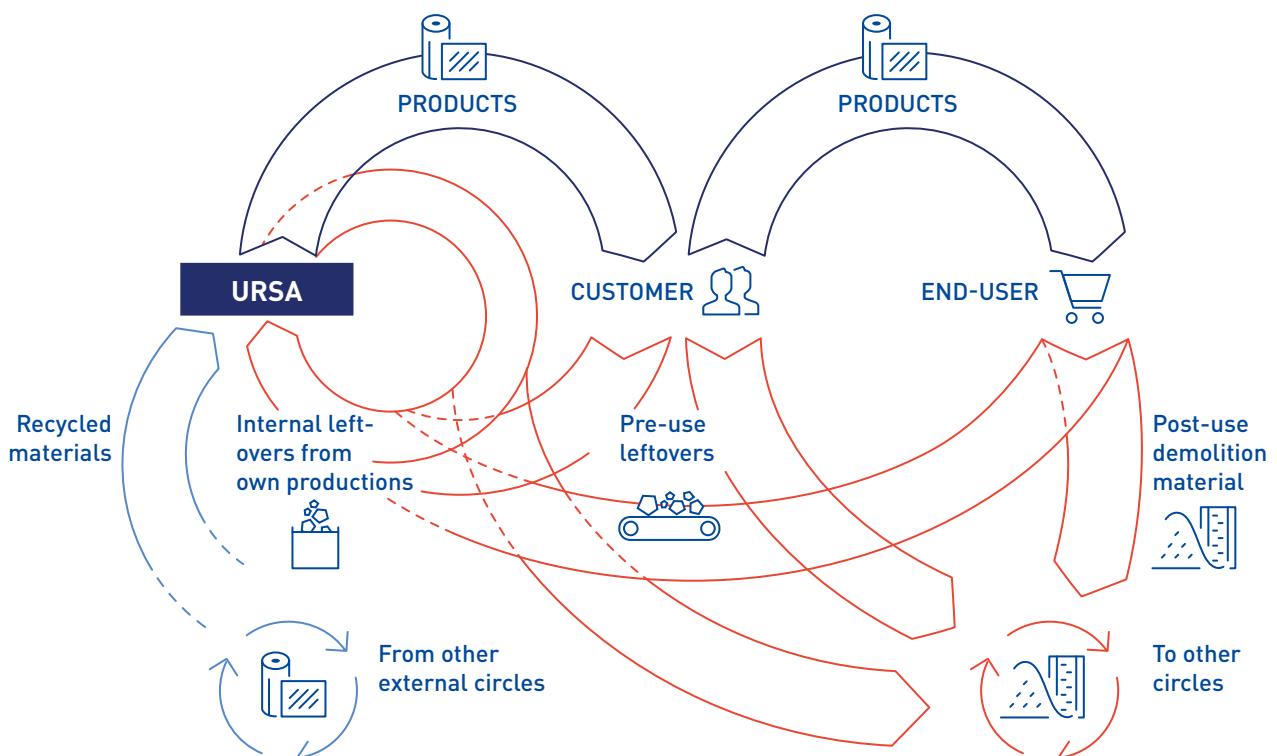
In XPS production, the target is at least 50 % recycled polystyrene by 2030.

**Alternative Uses for Mineral Wool**

We look for alternative uses for mineral wool that cannot be returned to the production process. We have pilot projects that involve compacted mineral wool waste being processed into roof tiles, crushed waste materials being used for blown-in insulation systems (ReFloc), or being processed further for customer-specific products. Collecting mineral wool and XPS waste from customers, analogously to our AAC processing, is an important project for the coming years.

**Circular process for URSA insulation**

The URSA circular economy takes advantage of various possibilities for reusing waste material. Production leftovers is returned directly to the production process (internal waste). Leftover insulation from customers is increasingly collected and then also reused, either in our own production or as a secondary product (e.g., as acoustic panels). In the future, we plan to obtain products out of debris at the end of their life cycle and process and reuse them. Pilot projects are already underway.



# Water and Waste Management

We keep our water intake as low as possible to protect local ecosystems. We organize professional disposal for the waste that we cannot prevent or reuse ourselves, or have this waste fed into another form of usage.

The production processes at our sites depend on us having water available and in use. Our use of water was not classed as a critical ESG issue in our dialog with our stakeholders, though we have nonetheless committed to keeping our water intake as low as possible for environmental and economic reasons. For this reason, we monitor our water consumption in production as well as in administration and manage our processes with tools such as our own Water Management Policy.

## Circular Water Usage

We source water for production from public as well as our own approved sources. In the Building Materials business unit in particular, we use water for product formulas, water vapor, refrigeration, and tap water. Water can be lost through natural evaporation or vapors. To reduce these natural processes, we have implemented a circular system that captures

things such as the steam from autoclaves (sealed high-pressure containers), treats them, and feeds them into the production process.

**Our wastewater-recovery rate is currently about 56 %**

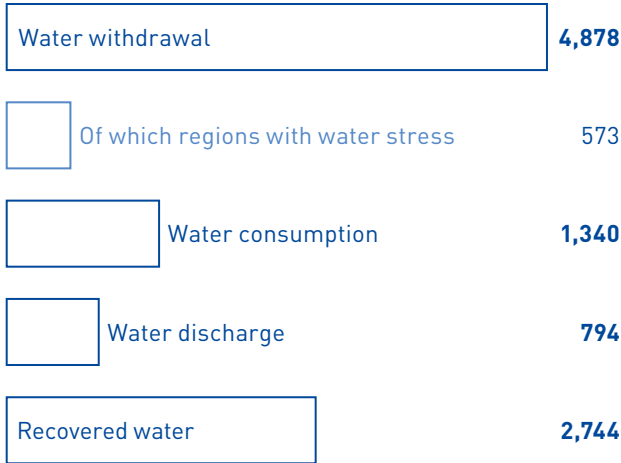
## Wastewater Reuse

Our wastewater-recovery rate is currently about 56%. In the Insulation business unit in particular, 94% of water is already treated and returned to the production process. More water is required for the formulas in the Building Materials business unit, which has a recovery rate of 51% as a result.

Every drop of water counts, from an environmental perspective as well as an economic one

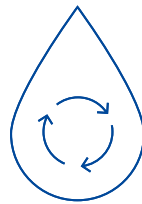


**2020 water** in megaliters



**2020 water-recovery rate**

**56 %**



**Waste Management**

Prevention is the best form of waste management. Thanks to our consistent focus on circular processes, much waste is never even generated in the first place. As described in the chapter → “Resources and Recyclability,” cutting waste and scraps from the production process are fed directly back into production. Offcuts and leftovers from the production process are therefore not waste, but are reused as raw materials for our products.

**Only 1.4% of the materials that we use end up as waste discarded from our sites**

In 2020, we consumed a total volume of 9.9 million metric tons of input materials to manufacture our products. Only 142 thousand metric tons of material was discarded from our sites, representing just 1.4% of all input materials. We define materials as discarded when they are

either taken to landfills or transferred to third parties for further recycling. In any case, about 28% of the 142 thousand metric tons of discarded waste was passed onto specialized recycling companies for further usage.

Despite the above, there are always some left-over materials – such as plastic packaging – that cannot be returned to production processes or processed into secondary products. We dispose of them in accordance with legal regulations and, depending on the site, some are given to specialized companies for recycling.

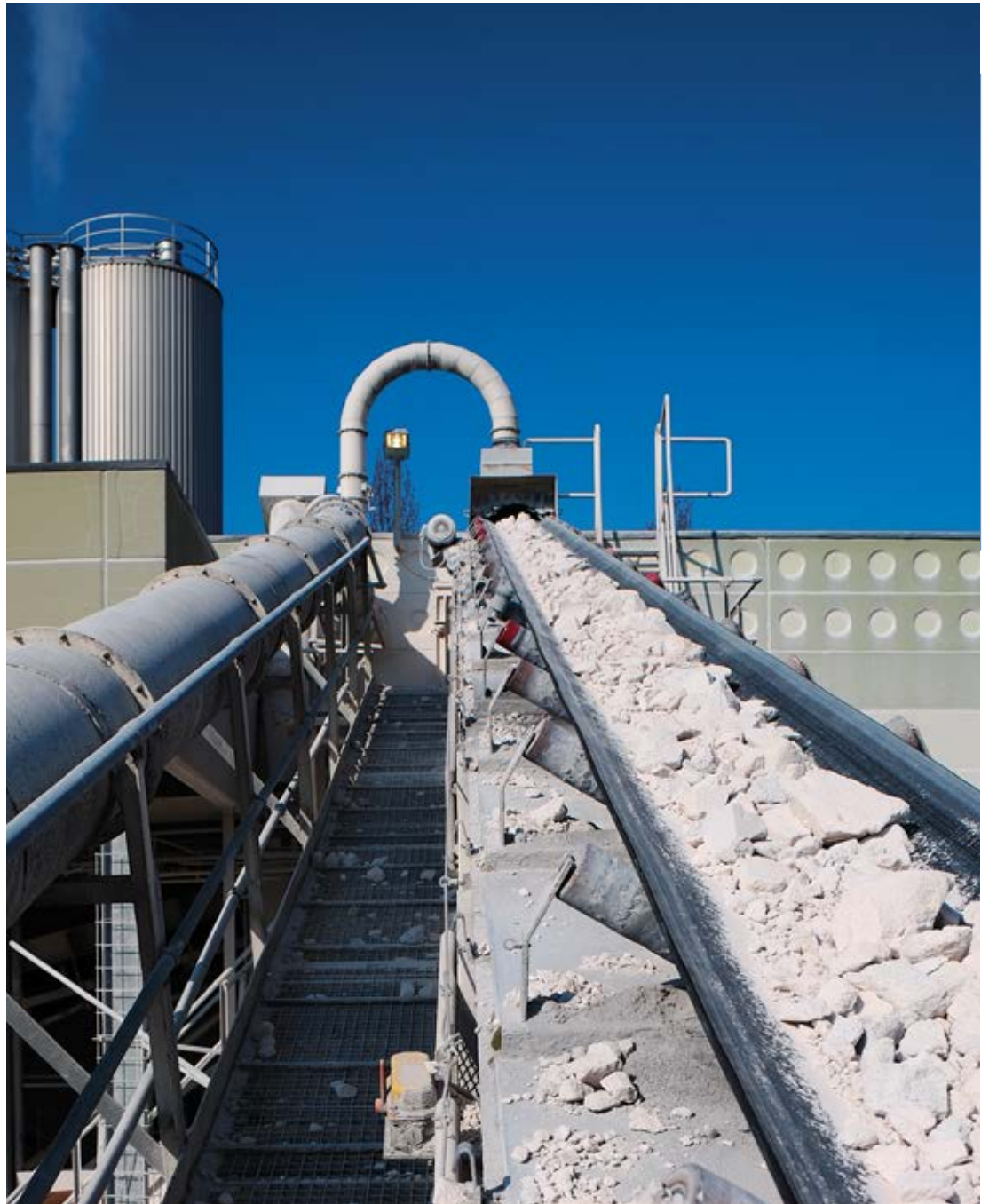
**Plastics Recycling**

To increase the recyclability of our plastic packaging, we began switching to film packaging for building materials in late 2020. In the future, we are planning for our packaging film to be only 10% printed color and the other 90% transparent so that it can be recycled better. The rollout is continuing in Belgium and France after a successful pilot project in the Netherlands, and will progressively continue to all Xella countries. Furthermore, we offer our customers various services, for example in Germany we arrange for film packaging to be picked up from construction sites and disposed of professionally.

**Hazardous Substances**

Xella products consist mainly of natural raw materials and do not cause any notable volume of hazardous waste. Hazardous-waste management is a requirement that must be met in order to have our production plants approved for operation. The volume of waste from hazardous substances was under 1% in 2020 based on the Basel Convention. We of course comply with statutory provisions and limits for any environmental impact factors such as noise, air, water, and wastewater when we manufacture our products.





We obtain new raw materials from "used" materials

# Our Products

05

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- 53 Innovation and Technology

By offering our products, we contribute to more energy-efficient and sustainable buildings while helping the construction sector decarbonize and become ready for the future. We continually enhance our product portfolio with innovation and intensive research activities, and we improve both our methods and our formulas.

## SDGs: our key contributions



Core SDG indicators

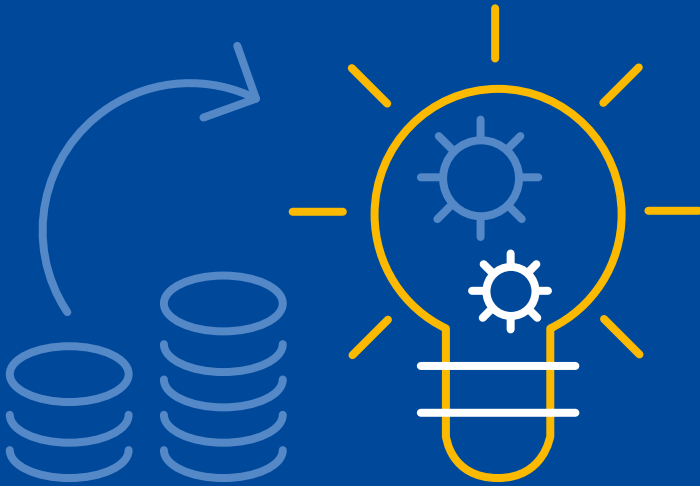


Supporting SDG

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## Our Sustainable Products

Research and development investment in 2020 ...



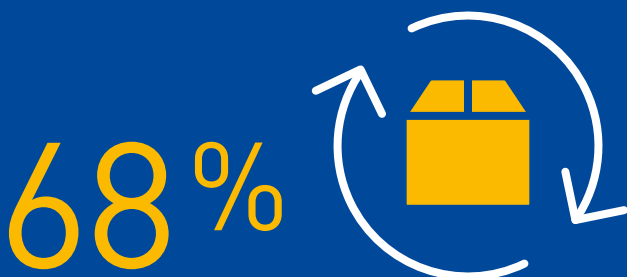
€5.2 mn

... related to the environment and climate



75%

Our main revenue comes from sustainable products\*



68%

\* definition: see footnote 2 → [page 85](#)

Voluntary Environmental Product Declarations (EPDs) for most of our building and insulation materials



Each euro invested in URSA mineral-wool insulation saves the consumer money\*\*

7 €

\*\* over the product's entire life



URSA mineral wool conserves 100 times more primary energy than is needed for manufacturing, conveyance, and disposal



>200<sup>x</sup>

# Our Sustainable Product Portfolio

Featuring energy-efficient, recyclable, and affordable building and insulation materials, our portfolio addresses core challenges such as climate protection, resource conservation, and the future of affordable construction and housing.

The Xella Group with its brands Ytong, Silka, and Hebel is one of the world's largest manufacturer of building materials made from autoclaved aerated concrete (AAC) and calcium silicate units (CSU). The Multipor brand stands for non-flammable mineral insulation boards, while the presence of URSA in the Group provides a leading manufacturer of insulation materials based on mineral wool and extruded polystyrene (XPS) foam (see the → ["About Xella"](#) chapter).

## Efficient resource consumption: One cubic meter of raw material is enough for five cubic meters of AAC

### Positive Impacts on the Environment and Housing Quality

The Xella product portfolio is concentrated on sustainable products which have positive impacts on the environment and housing quality. All Xella building materials are based on natural resources and are highly recyclable. Waste, leftovers, and products can always be reused at the end of their life cycle and fed back into the production process to conserve precious natural resources (see the chapter → ["Our Environment"](#)). Our AAC blocks and wall elements continue to amaze with an efficient overall use of resources, as one cubic meter of raw materials produces roughly five cubic meters of AAC.

## Each euro invested in insulation saves the consumer roughly seven euros over the product's life

Our URSA insulation materials are made almost 50% of recycled and reprocessed materials on average, with some products such as URSA Pure-one mineral wool even being about 90% recycled.

According to a study by the Karlsruhe Institute of Technology (KIT), URSA mineral wool conserves 243 times more primary energy than is needed for manufacturing, conveyance, and disposal\*.

\* Study for URSA France



Building safely,  
efficiently, and sustainably  
with AAC and CSU



## Sustainable products generate 68% of our total revenue\*

### Future Product Development

During the reporting period, as much as 68% of the Xella Group's total revenue was generated from sustainable products. We want to continually optimize our product portfolio beyond this with targeted research and development projects:

- Increasing the share of more energy-efficient products among building and insulation materials
- Offering carbon offsets to customers who purchase selected Xella products for the emissions created during manufacturing
- Continuing to improve thermal insulation properties
- Expanding the share of recycled material in manufacturing with new formulas and methods
- Developing new materials for areas previously difficult to insulate due to their limited accessibility (e.g., blown-in insulation for double-leaf walls)
- Enhancing our products' recyclability



## Affordable and healthy housing

Xella products have positive impacts on the environment. What's more, they also offer considerable social benefits when it comes to costs and healthy and comfortable housing:

- Xella's mineral building materials are free of harmful substances, are hypoallergenic, and ensure excellent noise absorption and a healthy indoor climate.
- Xella building materials are easy to work with, which means they can be used more efficiently and cost-effectively in construction.
- Good insulation lowers energy and heating costs and provides direct cash savings.
- All Xella products offer outstanding fire and home safety.

\* definition: see footnote 2 → [page 85](#)

# Quality and Certifications

Xella's products have multiple certifications and are awarded for their sustainable characteristics. Our passion for quality also amazes our customers.

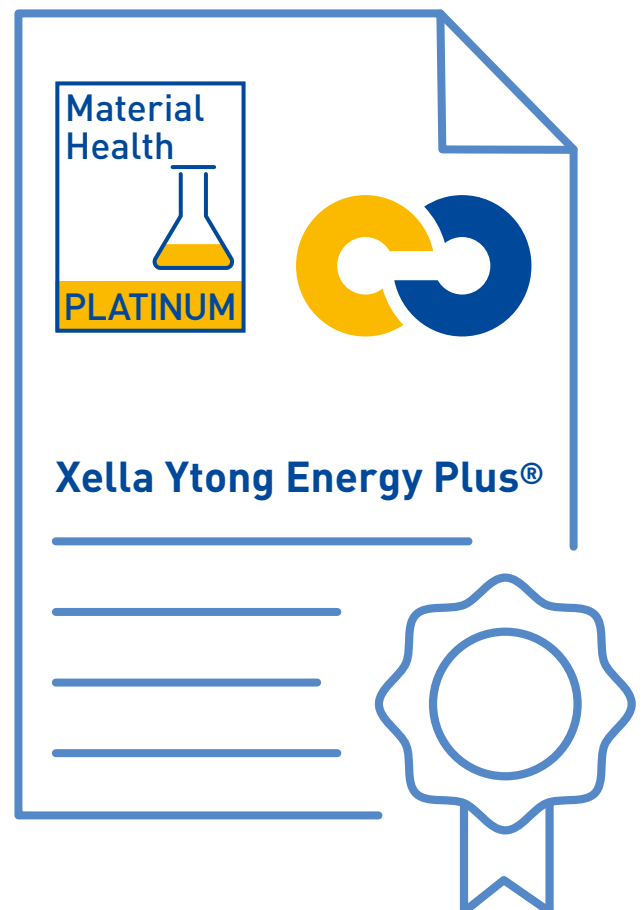
Regular product tests for quality assurance – by independent organizations, for example – ensure that our products only ever leave our plants in premium quality and in accordance with the product declarations. Our in-house research and development company and departments assesses the product parameters and, by extension, the quality of our products. It also checks compliance with declared values.

But we don't stop there. We strive for excellence with the features of our products that support sustainability and quality. External assessments attest to this.

**In 2011, Xella was the first building-materials manufacturer to receive Cradle to Cradle® certification**

## **Cradle to Cradle®-certified Building and Insulation Materials**

Back in 2011, Xella was the first building-materials manufacturer ever to receive Cradle to Cradle® (C2C) certification for one of its products. Under this concept, products are developed based on the principle of a closed-loop and potentially infinite circular economy with no waste generated (see also the chapter → [“Our Environment”](#)). We extended the certification



Our Ytong Energy Plus AAC block is certified Platinum, the highest Cradle to Cradle® certification.



We always look for the best solution for our customers

recommend on a scale between 0 and 10.

The NPS is currently surveyed among customers in Germany. We are going to prepare an international template by mid-2021, based on which we will provide the process to all national subsidiaries by the end of 2022.

to our German-manufactured Multipor mineral insulation boards in 2013.

### **Sustainable Insulation Materials Guaranteed**

Our insulation materials have received an array of certificates and awards for their energy efficiency, noise absorption, indoor-air improvement, and disposal options. In addition to the cradle to cradle certification for our Multipor mineral insulation boards, our URSA insulation materials have been awarded titles such as the German Blue Angel, the Spanish DAPconstrucción® for sustainable building materials, and the Eurofins "Indoor Air Comfort" GOLD for healthy indoor climate.

### **Satisfied Customers**

We continually measure and improve customer experience and satisfaction. Our ambition is to achieve maximum customer satisfaction. That is why we regularly conduct surveys to keep an eye on our net promoter score (NPS) performance and on our customers' feedback. The NPS is a figure that illustrates customer loyalty and satisfaction. To calculate the score, we ask our customers a single question: "How likely are you to recommend Xella to friends or acquaintances?" Respondents rate their willingness to



## **Transparency about product sustainability**

We voluntarily have independent Environmental Product Declarations (EPDs) created for most of our building and insulation materials. An EPD from Institut Bauen und Umwelt (IBU) portrays a product's environmental properties with neutral and objective data. For architects and planners, for example, it is a valuable basis for designing sustainable buildings.



# Innovation and Technology

We respond to societal and industry-specific challenges with innovativeness, research, and determined technological development. We equip the Xella Group for the future.



We bring the latest digital technologies to the building site

Be it climate protection, energy conservation, or resource efficiency, we are a provider of innovative building- and insulation-material solutions and continuously develop sustainable, environmentally friendly concepts. To this end, we invested approximately € 5.2 million in research and development during 2020, 75 % of which went to environment- and climate-related research.

Xella is one of few companies in the building-materials industry to run its own research and development company (Xella T&F). Thirty-three employees at two sites in Germany work on product and process research, application research, and quality management with an accredited testing center. It involves subjects such as chemical and mineralogical analysis, product

development and optimization, building-material testing, construction technology, and building physics.

## **Sustainable Construction and Affordable Housing with Digital Transformation**

Innovative digital products, such as our blue.sprint digital planning service, support the construction of sustainable and affordable housing and workspaces. A digital model of the building is made, the material needs are optimized, and planning mistakes are avoided from the outset. This makes it more efficient, more cost-effective, and faster to build. Resources are conserved and waste avoided thanks to optimized material planning and the individual production of building materials.

## Innovation and Research: Essential Elements of Our Success



### Quality Assurance

Premium building materials require high-quality raw materials. We test items such as raw materials before and during use, and we improve product sustainability, for example by using less carbon-intensive raw materials.



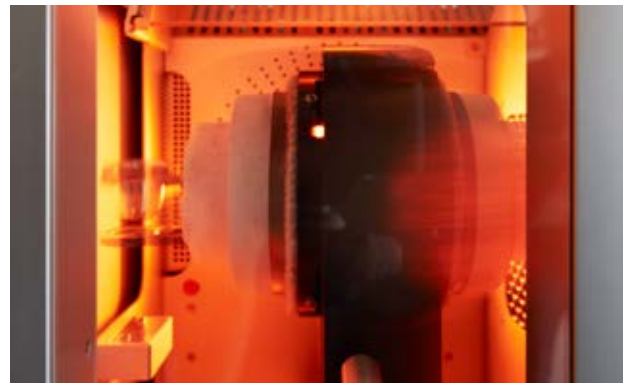
### Accredited Testing Center

Xella T&F became an accredited testing center in 2011. It is responsible for quality control, building-material testing, and compliance with the Construction Product Regulation for the European market.



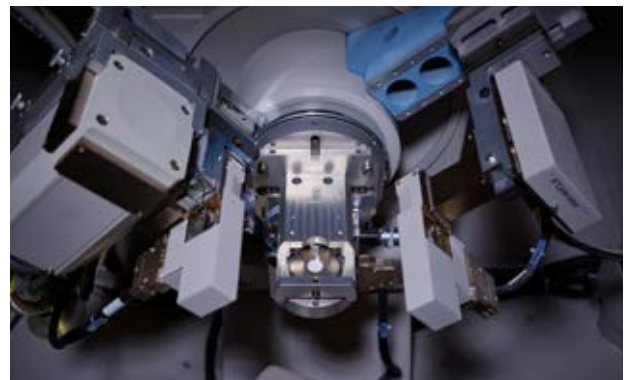
### Product and Process Research

Optimizing building materials demands an understanding of their internal structures. We conduct foundational research to improve the characteristics of building and insulation materials.



### Application Research and Building Physics

A test of new building materials and systems in practice. We expose them to extreme strain from such things as heat, frost, moisture, wind, fire, and earthquakes. We also optimize aspects such as quality of life and health in buildings. Application research and building physics encompasses an accredited testing department for testing mortar, masonry, and acoustics.



### Collaborative Research at a European Level

Our open-innovation approach opens up our innovation process to the outside world. It will become increasingly important to develop new solutions and consciously share knowledge jointly with partners.

## From planning to building

### International digital references Xella Group

Our blue.sprint digital planning service offers our customers all the services that make their projects simpler, faster, and more cost-effective from the outset.

- Project consulting as early as the design stage
- Provision of a digital product database
- Advice for optimizing material selection
- Creation of a digital twin
- Individual, project-specific pre-picking
- Seamless order process and supply chain with track-and-trace and just-in-time delivery



#### Paul-Zobel-Straße, Berlin

Affordable housing is in short supply, especially in larger cities.

The “Paul-Zobel-Straße” project in Berlin shows how grayfield densification can be successful.

The twin eight-floor apartment buildings in Berlin prove that a small site can successfully be used to construct 70 apartments in a denser way than before while charging moderate rents and preserving the neighborhood’s identity.

#### Variowohnen, Kassel

This student dormitory in the Martini district of Kassel, Germany was developed through a federal-government research project. It stands out for its sustainable and affordable housing with high-quality architecture.

Furthermore, all 41 apartments are flexible and can be adapted to individual requirements at a later stage of use, e.g., for accessible or senior-friendly housing.

The project was planned and developed with blue.sprint and features all project stakeholders working in parallel instead of one after the other, from the administration to the construction company.



# Our Social Responsibility<sup>06</sup>

## Contents

- 58 HR Strategy and Culture
- 61 Development and Satisfaction
- 63 Diversity and Equal Opportunity
- 66 Occupational Safety and Health
- 70 Society and Commitment

We rely on our employees and the regions in which we operate. We endeavor to be an appealing and dependable employer in every respect.

## SDGs: our key contributions



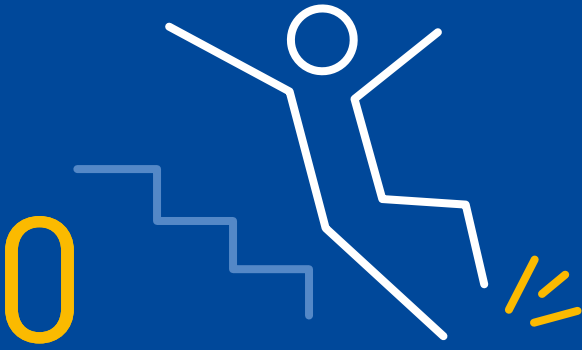
Core SDG indicators



Supporting SDG

# Our goals

Occupational injuries

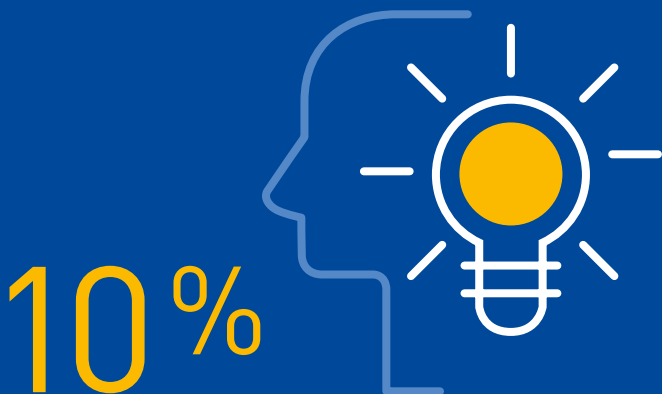


Reduction of lost-time injury frequency rate by 2025 \*



40%

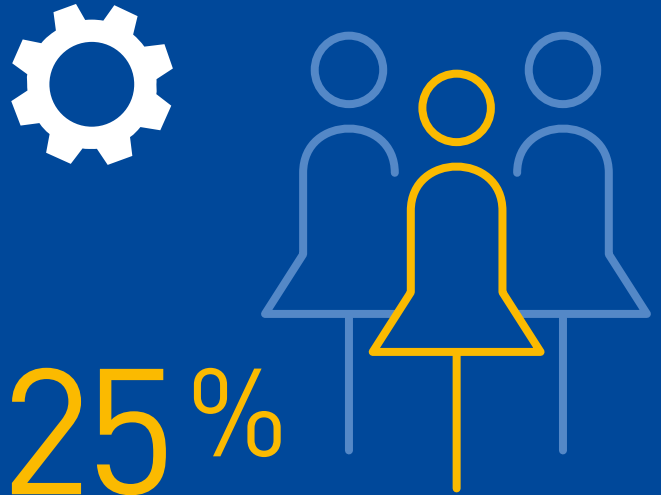
Increase in annual training hours per employee by 2025 \*



10%

\* base year 2019

Share of female managers at Group level by 2025



25%

The health and safety of our employees is our top priority



@Xella

# HR Strategy and Culture

As an employer in more than 20 European countries, we carry a responsibility for the regions in which we operate, especially for our employees. They are the foundation of all that we do. We support their long-term health, development, and satisfaction, and provide a safe, fair, and diverse work environment.

A motivated workforce is the basis for the success and evolution of our Group. We have made it our goal to create a culture for positive, trusting work together by promoting commitment, motivation, and creativity. Our human-resources strategy is applied across the Group and continually refined over time. Its cornerstones include:

- Consistent alignment with Xella's corporate values (see box on p. 57)
- Individual, needs-based training and qualification options
- Fair, performance-oriented remuneration
- An appreciative, discrimination-free work environment
- Flexible options for balancing work and family
- Prioritizing our employees' occupational safety and health

Human Resources (HR) is responsible for the development and Group-wide implementation of the human-resources strategy. As a member of the Xella Executive Committee (ExCom), the Head of Group HR is also the "sponsor" of the entire ESG strategy of the Xella Group.

## Our Employees

The Xella Group counted a total of 7,095 employees in 25 countries in 2020 (see key figures for details). We draw enormous benefit from the diverse experience of our staff members, who come from different countries and cultures. At Xella, we promote and ensure a close dialog with

employees and their representatives. This is also laid out in our policies on freedom of association and collective bargaining. It is only through communication with our employees that we can continuously adjust and improve our human-resources strategy.

Extensive, specialist knowledge is required to manufacture our products and provide advice about using them, for which reason more than 94 % of Xella's employees have permanent job contracts. This also ensures the high satisfaction of our customers. 62 % of our employees are covered by collective bargaining agreements.

## Fair Pay

Remuneration for our collective-agreement employees is governed by legislation and relevant collective agreements. Employees not covered by collective agreements are remunerated based on statutory provisions such as minimum-wage and equal-pay laws as well as external and internal benchmarks.

The basic remuneration for employees not subject to collective agreements is normally reviewed every year and adjusted to account for inflation and individual performance. Furthermore, the employment contracts for most non-collective-agreement employees and managers include an entitlement to annual payments through a short-term incentive plan typical for the industry; these plans depend

on the achievement of specified qualitative and quantitative targets. Xella does not have long-term incentive schemes.

Xella offers its employees further, sometimes location-based benefits such as corporate pension plans, salary-sacrifice schemes, group

accident insurance, free workplace beverages, employee cafeterias, corporate-benefits programs through external providers, postal and cleaning services, and a work-life support offer from PME Familienservice.



Regular management conferences promote intercultural exchange





**Our mix of employees**

**>7,000**  
employees in 25 countries



**94 %**  
of employees have a permanent contract



**62 %**  
of employees are covered by collective agreements



**8 %**  
of employees are new recruits



**Value-based corporate and leadership culture**

The Xella corporate values serve as a point of orientation for all employees in their everyday conduct in an international, diverse environment. They are the basis of our vision and our binding Code of Conduct.

**Dialog, openness, and appreciation**

We treat our customers, colleagues, and all other stakeholders with appreciation and respect. An open dialog means respecting individual and cultural differences and being open-minded about change.

**Responsibility and responsibilities**

Trust is needed to delegate responsibility. Taking responsibility means being accountable for one's actions. As a company, we stand by what we say and do.

**Professionalism**

We are a company with extremely strong aspirations which aims to create value sustainably and achieve excellent financial results. We promote and ensure motivation, initiative, and innovation.



# Development and Satisfaction

Xella offers attractive prospects in an internationally oriented group of companies. Satisfaction, motivation, and expertise make for the best teams – and Xella's success.

We seek to be an appealing employer and retain talent over the long term. We can only build on our performance and innovativeness when we have committed, motivated employees. We believe that the satisfaction of our employees – and by extension, our appeal as an employer – is shaped significantly by employee support and development, fair and attractive working conditions, diversity and equal rights, and occupational safety and health.

## Targeted Satisfaction Increase

Every one to two years we conduct a Group-wide survey of our employees to measure the level of satisfaction, assess the effectiveness of measures we have already implemented, and carry out adjustments of our human-resources strategy if needed. We conducted our last employee survey at the end of 2019.

## Far-sighted Training and Professional Development

By supporting our employees' professional development, we wish to adapt the qualifications of our workforce to the changing requirements of our industry and the working world. By 2025, we want to raise the annual number of hours that each employee spends in training by another 10% at Group level, including for ESG-related training. The average per-employee training hours added up to 10.4 hours in 2020.

We already offer a wide range of professional-development formats, for example in-service programs, e-learning, and external seminars. We implemented special instruments to track training and development programs and constantly improve the effectiveness of our support for employees.

In 2020 we primarily increased the offering of language and IT training as well as training for data and information security, alongside role-specific, specialist training. This also empowered our employees to complete their work remotely without delays or restrictions where possible during the year. Moreover, clear guidelines were developed for employees and managers to make it easier for them to work from a remote workplace.

## Our target is 10% more training hours by 2025

Another substantive focus in 2020 was training and coaching for health and safety in the workplace. In the future we will also put a focus on ESG-related training, with content in the fields of compliance, occupational safety and health, and environmental and climate protection to complement updated training on antitrust law.



Modern management culture

**Supporting and Leading with Fairness**

Managers regularly hold feedback sessions with their employees as part of the Xella Employee Dialog, defining personal career goals together with them. This dialog also involves deciding on individual training and support opportunities.

To establish uniform standards, the Employee Dialog is underpinned by a consistent, extensive competency model which defines the professional skills and knowledge that are essential for our long-term success.



**Empowering young talent**

To help young people start out positively in the working world, Xella fosters fresh talent

through our training and support programs. We offer young people numerous career-starting opportunities in administration and sales as well as in technical areas. For up-and-coming talent, we organize such things as annual “Junior Staff Days,” where apprentices and trainees engage each other through discussion, team-building activities, and special workshops about important topics such as “Health and Safety in the Workplace.”

**78**

apprentices and trainees in 9 occupations



# Diversity and Equal Opportunity

Diversity adds indispensable value for the Xella Group. An inclusive and fair corporate culture fosters creativity and connectedness. This is reflected in customer satisfaction and the quality of our products and services.

We believe that diversity refers to more than just culture and nationality; it also means a wealth of perspectives when it comes to expertise, experiences, and age groups, as well as a gender balance. We want to offer our employees a space to develop in which their identity and uniqueness are not limited. Providing this space lets us ensure that they are happy to bring along their special technical, personal, and social talent and experience and, in doing so, contribute to the long-term success of Xella.

Our staff currently features a high level of diversity. We successfully work in teams in 25 countries and, in a traditionally male-dominated industry like construction, 20% of our employees are female while 18% of the people in our leadership positions are women. Two-thirds of our C-level management is younger than 50 years of age.

## Practicing Inclusion

Respecting diversity and equal opportunity is an important element of our Code of Conduct. This code defines the guidelines for our everyday conduct and also underlies our antidiscrimination and diversity guideline. Both apply across the Group and are available in 17 languages. However, we do not implement them using rules. What we do most of all is actively practice them, including through an international leadership team, regular dialog between local managers, and close cooperation within company divisions across national borders.

Vacant positions are filled based exclusively on qualifications and the job description for each role. If we find that equal opportunities have not been upheld, we make use of disciplinary actions such as written warnings or termination of employment. The persons affected can contact a compliance officer, Human Resources, the works councils, or the anonymous whistleblower hotline. There were no reports of discrimination rules being breached during the reporting period.

**25% female management by 2025 is our target**

## Promoting Diversity

Having a greater share of women in leadership positions has a positive impact on company success and innovativeness. That is why we have targeted increasing the share of female managers in the Xella Group from 20% in 2019 to 25% by 2025. The initiatives we are using to achieve this target include mandatory e-learning seminars for our managers which deal with the topics of diversity, unconscious bias, and conflict management. Furthermore, we are also developing diversity-themed e-learning opportunities for all employees.

# All our managers will be trained on diversity and conflict management by the end of 2021

## Working Flexibly

We offer our employees a broad range of working-hour models so that they can balance their family and work better. We want their job to adapt flexibly to their living situation and not the other way around. That also includes the opportunity to work less than full time. The number of part-time employees in 2020 came

to 314, which represented 4.4 % of all job contracts. Where employees' jobs allowed for it, we enabled remote work for much of our staff (including all administration and sales staff) due to the coronavirus-related circumstances.

To promote family-friendly work, we cooperate with PME Familienservice and offer support to all employees in Germany if needed, e.g., with childcare, finding domestic help, or counseling during a crisis. Across the Group, 2.2% of employees were on parental leave during the year.

## Diversity at Xella

**20 %**  
of our employees are female



**60 %**  
of our C-level management is younger than 50 years of age



**18 %**  
of our managers are women



**4.4 %**  
of our workforce works part time

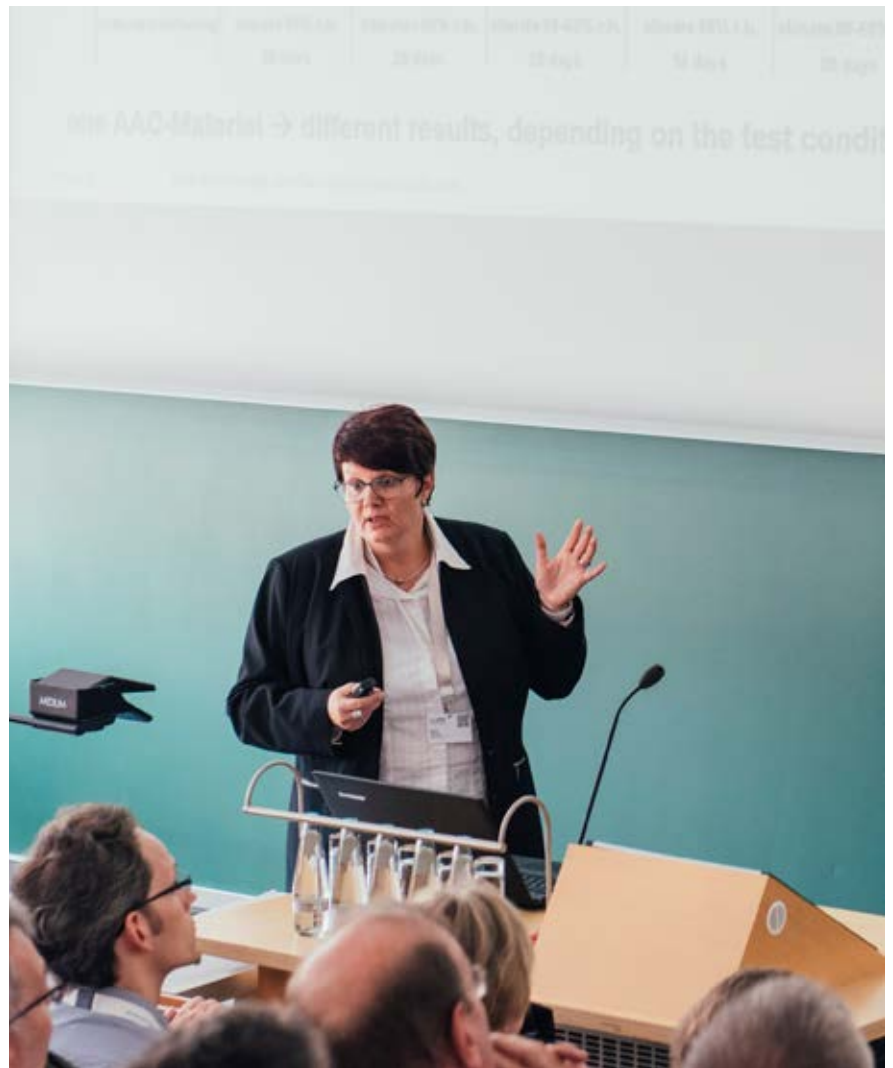


**44.5**  
is the average age of Xella employees



**2.2 %**  
of all Xella employees are on parental leave





We promote female employees in all age groups and occupations



# Occupational Safety and Health

Occupational safety and health is a top priority for Xella. We want our employees to come home from work healthy. This is also reflected in our “Safe Work. Safe Life.” vision and our long-term zero-injury target.



Safety takes priority at Xella, always and everywhere. For us, ensuring safety means more than complying with legal requirements. We have laid this out in our vision for health and safety. We have translated this vision into concrete terms with a policy applicable across the Group, providing consistent, Group-wide governance for risk assessment, employee instruction and training, investigating incidents, and reporting.

Strengthening the health of our employees is the basis for an agile, high-performing organization. To do this, we rely on various measures for health protection, catering to the different categories of employees in production, administration, and sales. Depending on the site, we offer sports and fitness courses, some of them at an in-house gym; eye tests, influenza vaccination, healthy-eating alternatives at cafeterias,

and support from PME Familienservice. As a result, we prevent workplace-related and general health risks that could lead to illness and associated downtime.

## Our Health Management

The overall responsibility for environment, health, and safety (EHS) rests with the CEO of the Xella Group, who delegates it to the management at the national level at the relevant companies. As a general rule, all Xella managers are responsible for implementing and complying with our health and safety standards as part of everyday work. Managers are supported by the Corporate EHS department and local EHS managers at the national level, the number of whom we more than tripled since updating our EHS programs in early 2017. The Head of Corporate EHS reports directly to the CEO of the Xella Group.

The central EHS policies and rules are based on recognized risk-management standards and guidelines such as BS OHSAS 18001 and ISO 45001, and meet the relevant legal requirements at a minimum. Our policies and rules in most countries go significantly further than the legal requirements.

Internal and external audits, inspections, and regular reporting on the key performance indicators for occupational safety and health ensure Group-wide transparency about performance and progress in this domain and systematically ensure compliance with the specifications.

## Zero injuries is our overarching target

### Occupational Safety

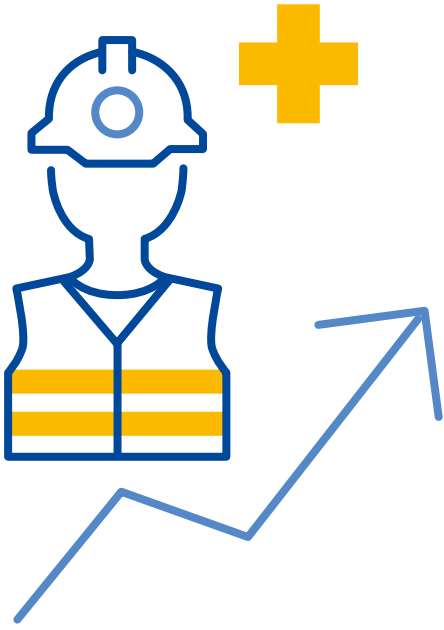
Based on our mission statement "Safety is our top priority" the implementation of three safety programs to reduce accident frequency and severity has been a key element of our safety management in recent years. The programs incorporate three levels – namely, safety culture, technology, and organization – and contribute considerably to making significant hazards in our workplaces and activities safer (e.g., operat-

ing mobile equipment, working at great heights, transport on and off the premises, and decommissioning systems). Since 2020, we have also started to subject all our plants to a technical safety assessment by external specialists.

The most frequent occupational injuries across the Group in 2020 included bruising and contusion (35%), fractures (18%), sprains (18%), and cuts (16%). We recorded 101 reportable incidents during the reporting period, of which one consisted of a major injury. There were no fatal incidents during the year.





Coming home  
from work healthy



## Measurably improving safety

Our longterm target is zero injuries. Two targets are planned to help us increase safety standards even more by 2025:

- 40%** reduction of lost-time injury frequency rate\* 
- 66%** reduction of injury severity\*\*/\*\* 

\*base year 2019 / \*\* number of days lost (calendar days) / LTI

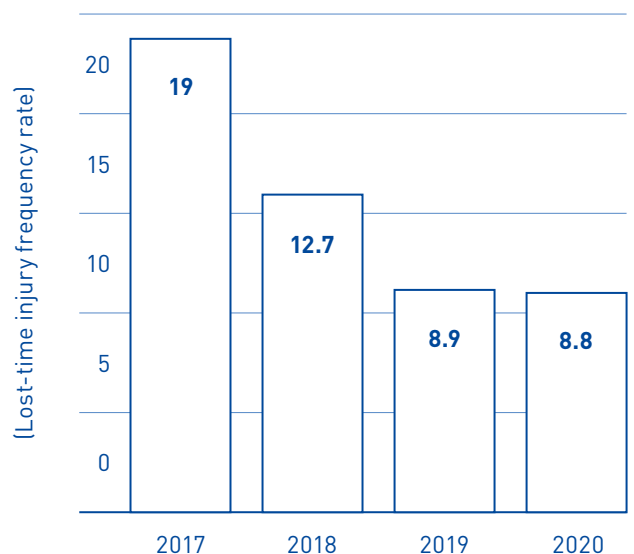
### Ten Rules That Save Lives

To ensure consistent governance for these key hazards, the programs comprise the Group-wide implementation of our ten Life Saving Rules, which are mandatory for all employees and contracted partners in equal measure. We have already implemented seven of the rules, while the remaining ones will follow progressively.

### Roughly 3,000 safety walks between managers and employees were held in 2020

The programs also include initiatives to improve technology and adapt it to the latest safety standards. In addition, the programs focus on measures to make all employees more safety-conscious and on the creation of a shared safety culture. For example, 20 training sessions for 124 managers and almost 3,000 safety walks were held through our safety programs just in the reporting period alone.

### Lost-time injury frequency rate halved

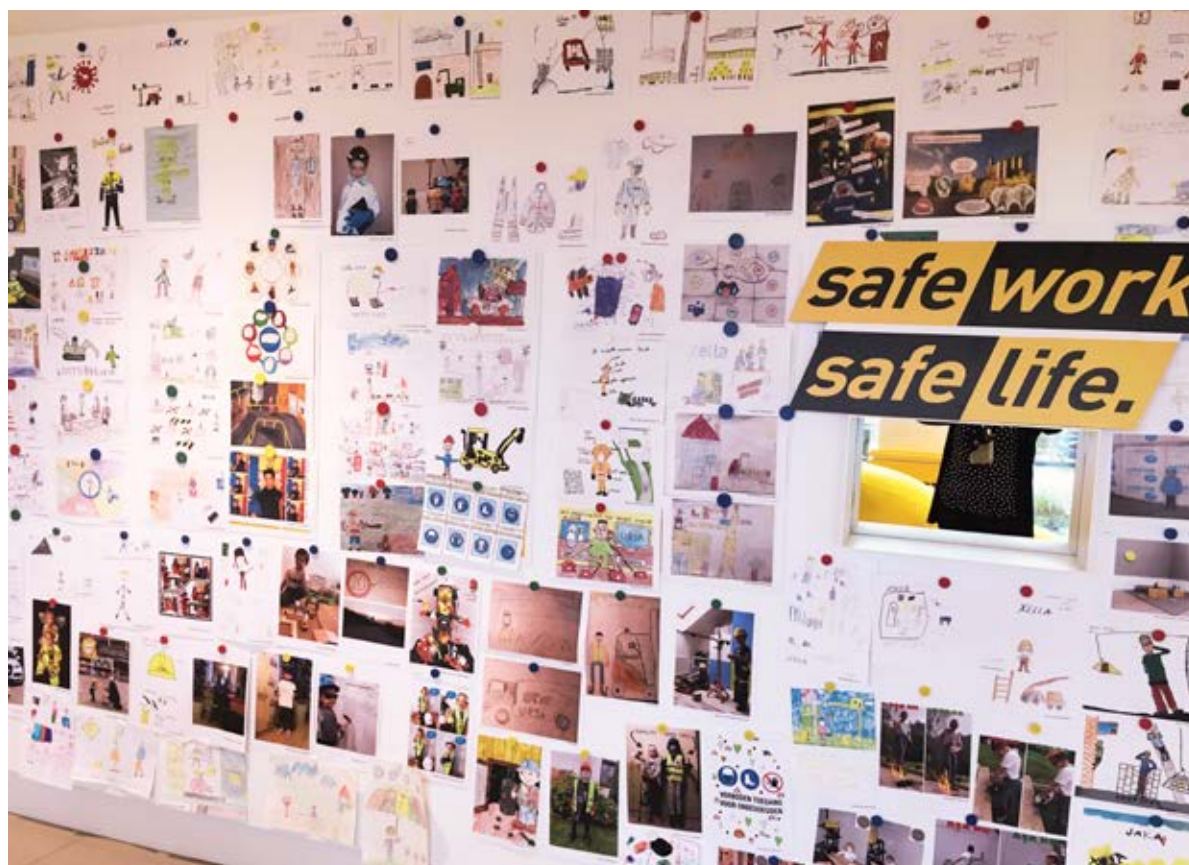


Since beginning the safety programs in 2017, we were able to lower the rate of lost-time injuries across the Group from 19.0 to 8.9 in 2019, a decrease of more than half. The rate stagnated during 2020 due to the Covid-19 pandemic (8.8).





Safety always has top priority at Xella



The “Xella Kids Contest” let our employees’ children show what is important for safety in the workplace. With this campaign, we took a step in increasing the awareness of our “**Safe Work. Safe Life.**” vision throughout the Xella family

# Society and Commitment

Xella operates in many regions of Europe and in Russia. We take social responsibility beyond our business activities for the local people in our regions and help out where help is needed.

The Xella Group's commitment to society is just as colorful and diverse as our culture is. Our local employees and national subsidiaries are involved in social projects that offer direct added value for local communities. Our support is fast, uncomplicated, and focused on urgent needs.

## Solidarity in the Pandemic

Healthcare is one of the most under pressure sectors during the pandemic. We tried to contribute to getting all people access to medical assistance:

- **Spain**

URSA gave financial support to hospitals to develop medical centers and prevention teams and, together with the Red Cross, enabled the establishment of charitable accommodation for the disadvantaged.

- **Italy**

Xella and URSA, acting jointly with their employees, enabled a hospital in Bergamo to procure the required medical products. The city of Bergamo was most strongly affected by the coronavirus in spring 2020.

- **Poland**

Solidarity extends beyond national borders, and our Polish colleagues demonstrated this when they also set up a donation drive for the hospital in Bergamo.

- **France**

URSA in France offered its own facilities and gave out hot beverages to truck drivers who were stuck on the road without access to restaurants or rest options during the lock-down.



## Help for employees in need

With the Xella Aid Fund, we make an effect locally where help is urgently needed. The fund helps employees of the Xella Group and their relatives if they find themselves in an emergency situation. If needed, we also use these resources to support external aid projects such as "Kids in Düsseldorf" (KiD) facility for children harmed by violence. Our employees also receive professional support for caring for relatives and for other family matters.



Community must be experienced, whether it be through our student competition, our aid campaigns, or a family party



### **For the Next Generations**

Crisis or not, Xella supports and promotes training for young people so that they can enjoy an optimal start to their professional career. The Xella student competitions, for example, are now established in many countries as an important contest for architects and building engineers. We seek to bridge theory and practice and sharpen people's vision for future trends and practice-related construction projects.



# Our Governance

07

## Contents

- 74 Governance and ESG Management
- 77 Compliance and Data Protection
- 79 Supply Chain and Procurement

We have embedded our ESG ambition within our organization with rules, processes, and clear responsibilities. We want to meet ethical and legal standards at all times in our business activities and in dealings with our supply chain.

## SDGs: our key contributions



Core SDG indicators



Supporting SDG

## Our Achievements

Effective, Group-wide ESG Steering Committee



Zero tolerance of compliance breaches



Raw materials procured locally



## Compliance target

Group-wide rollout of our updated whistleblower system

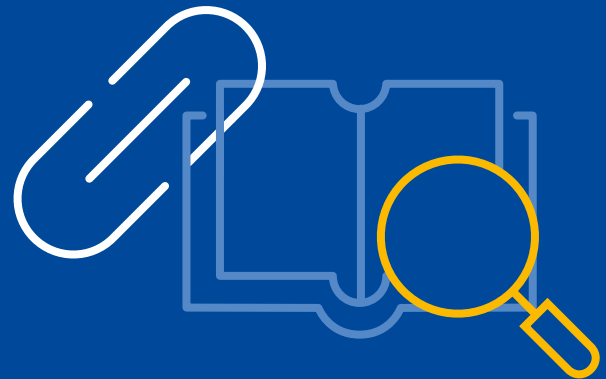


## Supply chain targets

Rollout of our Supplier Code of Conduct by the end of 2021



Independent ESG audits at suppliers from 2022



## ESG Governance target

Dedicated ESG department for operational support by the end of 2021



# Governance and ESG Management

Xella lays the foundation for responsible decision making with clear organizational structures, guidelines, and responsibilities. We wish to be a fair, reliable, and trustworthy partner for customers, business associates, and employees.

## **We are committed to the Ten Principles of the UN Global Compact for corporate responsibility and uphold the ILO's Fundamental Principles and Rights at Work**

We take our commercial and social roles very seriously. We want to act ethically, communicate transparently, and incorporate the concerns of internal and external stakeholders in our dialog. As a participant in the UN Global Compact, we are committed to the Ten Principles of corporate social responsibility. Additionally, we have integrated the standards of the International Labor Organization (ILO) into our company standards and guidelines. We also systematically take on responsibility in our supply chain.

### **Organizational Structure**

The highest-level operational decision-making committee at the Xella Group is the Executive Committee (ExCom). ExCom currently comprises five members: the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) of the Xella Group, the Head of Group HR, who is simultaneously also the Group's Chief Digital Officer (CDO); and the CEOs of the Building Materials and Insulation business units (see also the → ["About Xella"](#) chapter). All transactions of material importance are defined in the applica-

ble rules of procedure and require the approval of the parent company Xella International S.A. The management of Xella International S.A. is comprised of six members from four European countries, five of whom are representatives of the owner Lone Star along with the CEO of the Xella Group.

ExCom jointly makes decisions on all financial, environmental, and social issues in the entire Xella Group. We have deliberately implanted the theme of sustainability at the highest level of management.

### **Our ESG Governance**

ExCom receives support from an ESG Steering Committee (ESG SteerCo) for its decision making about sustainability. ESG SteerCo is comprised of the members of ExCom and experts from various ESG-related divisions at the Group's head office and in the market regions as well as from our research and development centers. ESG SteerCo meets monthly and:

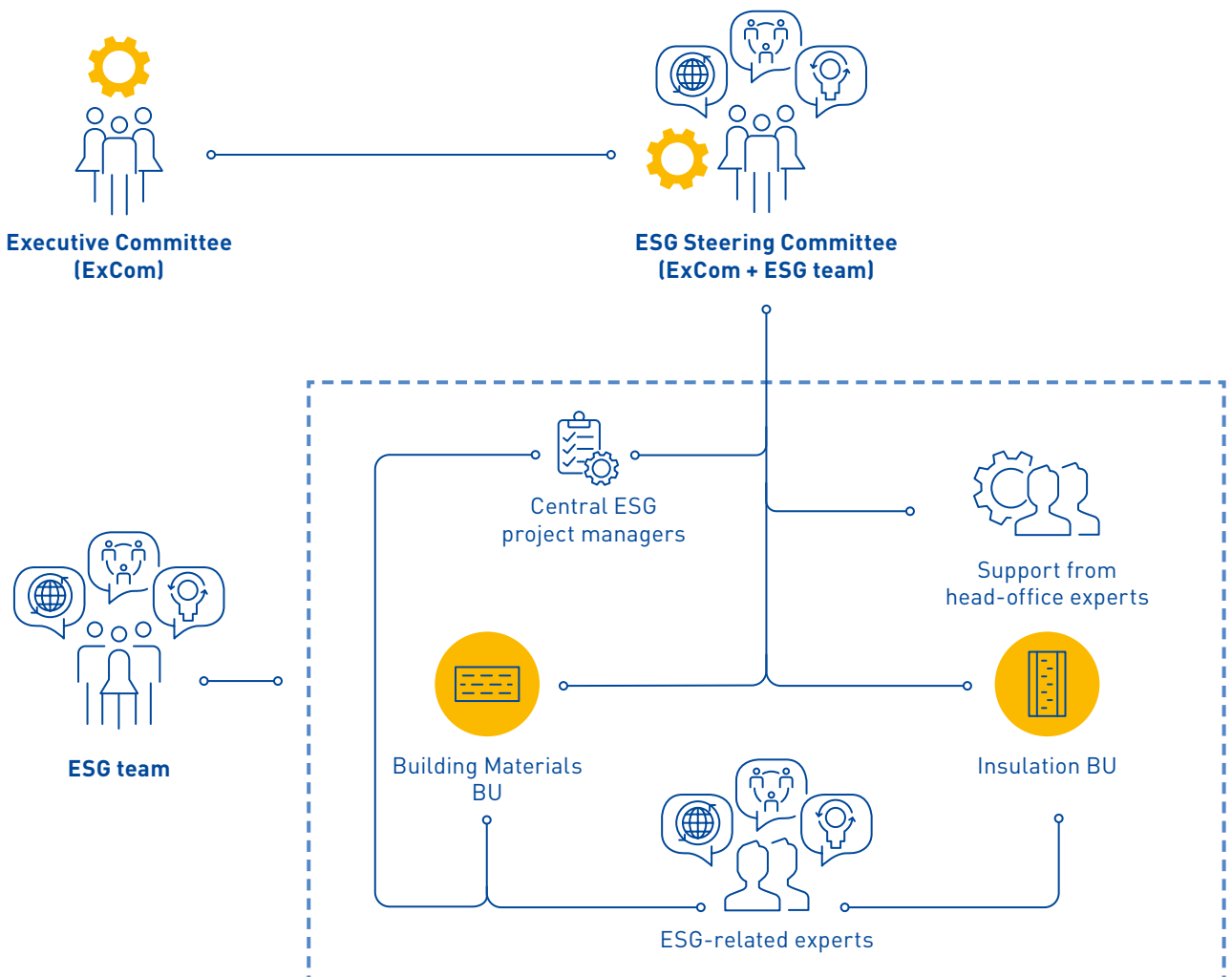
- develops ESG actions, programs, and initiatives
- monitors the ESG strategy and target achievement
- conducts a regular dialog with stakeholders
- identifies and monitors the environmental and climate impacts of products and manufacturing methods
- monitors compliance with/development of ESG regulations.

Currently the ESG team, a part of ESG SteerCo set up in early 2020, is driving the operational implementation of the ESG strategy. The members of the ESG team represent the most important ESG issues for the Xella Building Materials and Insulation business units, with the result that all the necessary expertise for defining and implementing the Xella ESG strategy is concentrated in one body. The ESG team has the simultaneous task of refining the ESG targets and briefing ESG SteerCo for decision making.

We are starting a dedicated ESG department in 2021 to complement these structures. It will be an interface between the centralized functions and national subsidiaries, coordinating all sustainability initiatives and the implementation and monitoring of them. With this action, we want to emphasize the importance of our ESG themes and keep advancing the achievement of our ambitions and targets.

### ESG Management at the Xella Group

ESG is embedded within the highest level of management at the Xella Group and integrated into the entire organization. We manage sustainability issues with the same determination that we apply to financial matters.





Sincerity, respect, and fairness are practiced in our internal discussions, too

**Rules for Conscientious Conduct**

We have developed specific policies that act as a point of reference for our employees for compliant, fair, and ethically impeccable conduct. The Xella guidelines for employees and managers were defined by ExCom, the highest-level committee of the Xella Group, and stand for adherence to our set of values. They are laid out

in specific terms in the Xella Code of Conduct, which applies across the Group and is available in all subsidiary languages. It governs our interactions with colleagues, customers, suppliers, and other external stakeholders. In addition, we have introduced further policies that define how we deal with aspects of ESG that are material for us (see box).

## Xella's policies for ESG governance




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**Environmental**

- Environment Policy
- Water Management Policy
- Waste Policy




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**Social**

- Freedom of Association Guideline
- Non-discrimination and Diversity Guideline
- Supplier Code of Conduct
- Health and Safety Policy




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**Governance**

- Organizational Compliance Policy
- Benefit Policy
- Code of Conduct
- Antitrust Policy
- Integrity Reporting Channel Policy
- Information Security Policy
- Data Protection Policy



# Compliance and Data Protection

Xella has zero tolerance for fraud, bribery, and discriminatory or unethical conduct. Compliance is an integral component of our corporate strategy and is firmly embedded within our corporate culture.

Our reputation as a responsible company and as a reliable, fair business partner provides a significant foundation for our success. We are a company with operations internationally and we ensure that we comply with all relevant laws and regulations in the countries where we operate. What's more, we promote an active compliance culture with regular training and information sharing.

## **Our Compliance Structure**

Our compliance governance and our policies (see the box on the preceding page) apply throughout the Xella Group to all employees. The company management appointed a Head of Group Compliance in August 2020. This position is responsible for the design, implementation, and enhancement of the Xella Group's compliance framework, replacing the previously responsible Corporate Compliance Committee. The Head of Group Compliance reports directly to the Xella Group CFO. Local compliance officers and data-protection and information-security coordinators assist the Compliance team with implementation across the Group. The management at Xella's regional subsidiaries has responsibility for compliance with laws and company standards.

All compliance initiatives and instruments are reviewed regularly and revised in line with regulatory requirements and community expectations. The compliance framework also provides for a reporting system for notification, analysis,

**Our target is to give each new employee standardized compliance training and implement annual refresher training on specific topics Group-wide by 2022**

and documentation of violations and actions derived from them. Our regular risk-management process also identifies compliance risks using both bottom-up as well as top-down approaches.

## **Our Compliance Culture**

The Xella Code of Conduct is based on our corporate values and defines our stance on fighting corruption, conflicts of interest, anticompetitive behavior, money laundering, data protection, nondiscriminatory conduct, and worker rights. We expect all employees to strictly adhere to laws and regulations and observe our internal conduct rules.

We conduct compliance training using classic formats and, increasingly, an e-learning platform which is being rolled out in stages across all Xella companies. This allows topics to be assigned to specific employee groups with perfect accuracy. The intensity of the training is increased through active participation and a final test, for example about data protection, information security, corruption, or conflicts of interest.



## Secure integrity hotline

Our compliance culture lets all employees and external whistleblowers provide tip-offs about suspected violations of laws and guidelines at the Xella Group.

We have established various channels for secure tip-offs: Employees can report suspicions to their superiors, the local compliance officer, or directly to the Head of Group Compliance. We ensure that all reports are kept confidential. In addition, we also offer external integrity-reporting channels via external ombudsmen. The processes are defined in our Integrity Reporting Channel Policy. We currently offer the ombudsman system in five regions and will be expanding it significantly in 2021 to make it include local contacts for almost all Xella countries and languages.

There are also plans to make compliance more present as a theme on the intranet.

We trained roughly 600 relevant employees about competitive conduct during the reporting period. Beginning in 2021, we will also offer compulsory e-learning courses about antitrust law. These will have to be repeated regularly so employees who are especially affected by such laws receive updates about legislative changes.

The Xella Group does not offer any sort of political contributions or donations as a matter of principle; they are expressly prohibited. There were no known cases of corruption during the year.

### **Data Protection and Information Security**

To provide guidance for employees on matters relating to the integrity, availability, and confidentiality of information, we implemented Group-wide standards in the form of our Data Protection and Information Security Policies. We also offer training to raise sensitivity among relevant employee categories. In the Building Materials business unit in Germany, this training was already held for all relevant categories of employees during 2020. The rollout will continue to all other countries in 2021. At URSA Insulation Materials, the training has already been assigned to all employees, with access to information and data regardless of country. Participation in the training is compulsory. We will continue to expand the training and also regularly update it in line with regulatory changes.

# Supply Chain and Procurement

Our key targets include meeting environmental and social criteria along our value chain and conserving resources. This is what we strive for as a company, and it is also what we expect from our suppliers and partners.

As a manufacturer of building and insulation materials made from natural resources, we focus on sustainable procurement of our raw materials. Our intention is for our commercial success to be harmonious with conscientious conduct for the environment, people, and society.

### Adding Value Locally

The Xella Group possesses a resilient and stable supply chain characterized by a strong, local character. Building materials can sometimes be heavy, meaning that only in certain circumstances is it cost-effective to transport them over long distances. For this reason, the majority of our production sites are located relatively close to our customers, enabling swift, short-distance, and therefore environmentally friendly and low-cost delivery. The same applies to our procurement.

Measured across the Group, about 80 % of acquired goods and services were purchased locally (i.e., in the country of production) during the reporting period. Thereof, the Building Materials business unit achieved 86 % of local purchasing and the Insulation business unit achieved 68 %. Our key raw materials are of natural origins, with sand, cement, and lime for Building Materials and cullets (57 % recycled) and polystyrene (41 % recycled) for URSA Insulation Materials. Sand, cement, lime, and glass represented a considerable component of raw-material costs; 84 % of them were procured locally during 2020.

**We source the majority of our resources and raw materials locally\***



**80 %**  
overall is locally purchased for Xella Group

**86 %**  
is locally purchased for Building Materials BU

**68 %**  
is locally purchased for Insulation BU

**84 %**  
of key raw natural materials – sand, cement, lime, and glass – is locally purchased

\* "Local" means from within the country of production

**Our Procurement Management**

Procurement at Xella is organized centrally, with the overall responsibility carried by the Xella Group’s Head of Group Purchasing, who reports to the Group CEO. The purchasing function is further divided into a strategic department and an operational one, which is structured in line with the two business units. Suppliers are selected and awarded contracts according to authorization processes which are defined in the Purchasing Policy. These processes must be carried out before contracts can be awarded. Procurement can consequently have an active influence over the supply chain in relation to the commercial conditions as well as strategically. In particular, we try to consider small- and medium-sized enterprises when selecting suppliers in a region to ensure fairness and inclusion and to preserve our independence in purchasing.

**100% of relevant suppliers in the Building Materials business unit will have signed the Xella Supplier Code of Conduct by the end of 2021**

**Fair Working Conditions**

We also uphold the principles of the United Nations UN Global Compact and the ILO’s Fundamental Principles and Rights at Work in our supply chain. Xella’s mix of suppliers is mainly based regionally across Europe, where there is a robust legislative framework for human welfare and the risk of human-rights violations is therefore very low. That is also why we focus on upholding healthy and fair working conditions in accordance with our Supplier Code of Conduct (see box).

During the reporting year we already had 98% of our relevant suppliers in the Building Materials business unit signed onto our Supplier Code of Conduct. We consider a relevant supplier to be any supplier that is based in one of the defined procurement countries and from which we source defined goods and services at a value of over €50,000 per year. Our target is for all relevant suppliers in the Building Materials business

**Essential materials**

in mn tons

The essential materials that we use are nonrenewable, natural resources that we to a large extent reuse through our recycling processes. A high percentage of the nonnatural materials that we source are recycled (e.g. polystyrene and glass).

Sand	6.1
Limestone	0.7
Cement	0.7
Glass	0.2
General-purpose polystyrene	0.03
Resin	0.02
Recycled polystyrene	0.02

unit to accept and uphold the code by the end of 2021. The Xella Supplier Code of Conduct will be fully rolled out in the Insulation business unit for the first time in 2021. We will also demand that the relevant suppliers in the division sign and uphold our standards. The Supplier Code of Conduct will therefore be rolled out across the Group by the end of 2021.

**Adherence to Our Standards**

If the Xella Supplier Code of Conduct is not adhered to, we check if all contractual entitlements have been satisfied and, where relevant, demand remedial action. We also consider ending business relationships if necessary.

In regular annual meetings with our essential suppliers, we also discuss negative impacts to ensure continuous improvement. Urgent issues are addressed immediately. We adjusted the sourcing model for packaging film during the reporting period, for example. Long-term supply agreements with key suppliers were established



Local supply chains support economic development in our regions

and enable a more efficient procurement process and better planning for both parties. These agreements provide a basis for shared optimization in the future when it comes to more sustainable packaging.

The responsible employees in procurement are planned to be qualified to hold audits of suppliers, including ESG audits, beginning in 2022. We will also assess the option of external supplier

## We will conduct regular ESG audits with our suppliers starting in 2022

audits. To this end, we will develop an overall concept for supplier audits by 2022 and define requirements for implementation and monitoring at Group and local levels.



### Xella Supplier Code of Conduct

Our Supplier Code of Conduct ensures that we can have a trusting basis for working with our business partners. It defines our values and conduct rules with regard to:

- Non-discrimination
- Rejection of child labor and forced labor
- Working conditions, freedom of association, and collective bargaining
- Avoiding conflicts of interest
- Corruption-free conduct
- Confidentiality, discretion, and data protection
- Safety, environment, and health

# Facts and Figures

08

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By publishing our sustainability report, we provide clear metrics and transparency about what we have achieved and about our ambitious ESG road map. In using standards-based reporting, we align ourselves with established indicators.

Limited assurance on key ESG aspects \*



\* See also the GRI Disclosures in the → [GRI Content Index](#) marked with a check mark.

UN Global Compact Communication on Progress \*\*



\*\* Since 2021 Xella has been committed to the UN Global Compact corporate responsibility initiative and its principles in the areas of human rights, labour, the environment and anti-corruption.

Approximately 6,000 indicators identified at group, division, country and plant level



~ 6,000

Prepared in accordance with the “Core” option of the Global Reporting Initiative



## Key Figures at a Glance

Unless otherwise stated, these key figures refer to the whole of the Xella Group.  
The GRI Disclosures marked with a check mark ✓ have been subjected to a limited assurance by the auditing firm PricewaterhouseCoopers.

Key figures		Unit	2020	2019
<b>ECONOMIC</b>				
Revenue	Total revenue	€ mn	1,507.3	1,585.5
	of which Building Materials business unit	%	71.1	70.0
	of which Insulation business unit	%	28.9	30.0
EBITDA <sup>1</sup>		€ mn	323.5	306.5
EBITDA margin <sup>1</sup>		%	21.5	19.3
Operations	Total number of operations	number	144	142
	Plants	number	95	95
	National subsidiaries	number	25	25
Investments in Research and Development	Total investments in R&D	€ mn	5.2	6.1
	of which climate- and sustainability-related R&D	%	75	66
Share of sales with sustainable products <sup>2</sup>		%	68	67
<b>ENVIRONMENTAL</b>				
Materials	Total input materials used for production	mn tons	9.9	10.7
	Sand	mn tons	6.1	6.9
	Limestone	mn tons	0.7	0.8
	Cement	mn tons	0.7	0.8
	Glass	mn tons	0.2	0.2
	General-purpose polystyrene	mn tons	0.03	0.03
	Resin	mn tons	0.02	0.03
	Recycled polystyrene	mn tons	0.02	0.02
	Share of recycled input materials in Building Materials business unit <sup>3</sup>	%	–	–
	Share of recycled and reused input materials in Insulation business unit	%	50	49
Waste	Total waste	metric tons	142,229	148,833
	Waste directed to recycling	metric tons	40,424	34,223
	Waste directed to disposal	metric tons	101,849	114,539
	Non-hazardous	metric tons	141,474	148,026
	Hazardous	metric tons	755	807
	Share of waste that is hazardous	%	0.5	0.5



Key Figures		Unit	2020	2019
Energy	Total energy consumption	GJ	9,386,486	10,192,354
	Fuel, renewable	GJ	2,409,409	2,749,151
	Fuel, nonrenewable	GJ	6,977,077	7,443,203
CO <sub>2</sub> emissions <sup>4</sup>	Total (scope 1+2) (market based)	t CO <sub>2</sub>	656,386	749,386
	Total (scope 1+2) (location based)	t CO <sub>2</sub>	700,097	764,075
	Scope 1	t CO <sub>2</sub>	442,575	475,972
	Scope 2 (market based)	t CO <sub>2</sub>	213,811	273,414
	Scope 2 (location based)	t CO <sub>2</sub>	257,522	288,103
CO <sub>2</sub> intensity per main product category (Scope 1+2) <sup>5</sup>	Autoclaved aerated concrete (AAC)	kg CO <sub>2</sub> /m <sup>3</sup>	31	34
	Calcium-silicate units	kg CO <sub>2</sub> /m <sup>3</sup>	40	45
	Multipor	kg CO <sub>2</sub> /m <sup>3</sup>	38	58
	XPS	kg CO <sub>2</sub> /m <sup>3</sup>	8	8
	Mineral wool	kg CO <sub>2</sub> /t	920	904
	Reduction of CO <sub>2</sub> intensity <sup>6/7</sup>	%	4.0	–
Water	Water withdrawal	megaliters	4,878	5,049
	of which in regions with water stress	megaliters	573	–
	Recovered water <sup>8</sup>	megaliters	2,744	2,845
	Share of recovered water	%	56	56
	Water discharge	megaliters	794	847
	Water consumption	megaliters	1,340	1,356

## GOVERNANCE

Local sourcing <sup>9</sup>	Total share of materials sourced locally	%	80	81
	of which in Building Materials business unit	%	86	86
	of which in Insulation business unit	%	68	70
	Share of main raw materials sourced locally (sand, cement, limestone, and glass)	%	84	84

<sup>1</sup> The EBITDA figures displayed are presented on a normalized, like-for-like basis. They therefore differ from our audited financial statements and information from other sources.

<sup>2</sup> Sustainable products are defined as product lines or services that are designed to have positive effects on the environment or that are labeled and marketed as environmentally friendly. The focus here is on products and services that have positive environmental effects.

<sup>3</sup> Cutting waste and leftover material from production is returned directly to production. We therefore do not measure these inflows. See → page 44 for details.

<sup>4</sup> CO<sub>2</sub> emissions in accordance with the GHG Protocol, which requires scope 2 emissions to be reported using both the location-based and market-based approaches. Xella considers a mix of energy-supplier-specific and location-based CO<sub>2</sub> factors in the market-based approach. Basically, all reported emission data are related to CO<sub>2</sub>. CO<sub>2</sub> equivalents are not considered.

<sup>5</sup> Due to the different product metrics, it is only possible to report at product-category level.

<sup>6</sup> Compared to previous year

<sup>7</sup> Due to the different product metrics, we can only report the year-on-year change in carbon emissions weighted according to the proportion of carbon emissions in each product category.

<sup>8</sup> Water that is returned from the production process to the usage cycle.

<sup>9</sup> Sourced locally means sourced from = the country of production.

Key Figures		Unit	2020	2019
<b>GOVERNANCE</b>				
Corruption	Confirmed incidents of corruption	number	0	0
Anticompetitive behaviour	Legal incidents for anticompetitive behavior	number	0	0
Social/economic compliance	Noncompliance with social/economic laws and regulations	number	0	0
Environmental compliance	Noncompliance with environmental laws and regulations	number	0	0
Customer privacy	Complaints concerning customer-privacy breaches and customer-data loss	number	0	0
<b>SOCIAL</b>				
Employees	Total number of employees	headcount	7,095	7,463
	of which in Germany	%	29.3	28.2
	of which in Europe (excl. Germany, incl. Russia)	%	70.7	71.8
	Percentage of employees with permanent contract	%	94	92
	Percentage of female employees	%	20	20
	Percentage of female managers	%	18	21
	Percentage of employees covered by collective bargaining agreements	%	61.6	59.1
	Percentage of employees with regular performance and career development review <sup>10</sup>	%	62.0	55.0
	Average age <sup>11</sup>	number	44.5	44.4
	Percentage of C-level management under 50 years of age	%	60	80
	Percentage of part-time employees	%	4.4	3.8
	Percentage of employees on parental leave	%	2.2	2.3
Health and safety	Recordable work-related injuries	number	101	115
	High-consequence work-related injuries	number	1	2
	Work-related fatalities	number	0	1
	Lost-time injury rate (LTI rate) <sup>12</sup>		8.8	8.9
	Percentage of employees covered by an occupational health and safety management system* <sup>13</sup>	%	5.8	5.6
	Safety Walks to increase awareness	number	2,935	3,078

<sup>10</sup> Data cannot yet be broken down by gender and employee category.

<sup>11</sup> By age cluster

<sup>12</sup> Calculated based on 1,000,000 hours worked.

<sup>13</sup> The central EHS regulations are based on recognized risk-management standards, such as BS OHSAS 18001 and ISO 45001. We therefore consider certifications to be necessary only in exceptional situations.

Employees by gender and region	Region*	Total		Female		Male	
		2020	2019	2020	2019	2020	2019
Headcounts	<b>Group</b>	<b>7,095</b>	<b>7,463</b>	<b>1,428</b>	<b>1,487</b>	<b>5,667</b>	<b>5,976</b>
	Germany	2,080	2,106	383	381	1,697	1,725
	Europe	5,015	5,357	1,045	1,106	3,970	4,251
Temporary	<b>Group</b>	<b>433</b>	<b>586</b>	<b>86</b>	<b>106</b>	<b>347</b>	<b>480</b>
	Germany	206	223	45	37	161	186
	Europe	227	363	41	69	186	294
Permanent	<b>Group</b>	<b>6,662</b>	<b>6,877</b>	<b>1,342</b>	<b>1,381</b>	<b>5,320</b>	<b>5,496</b>
	Germany	1,874	1,883	338	344	1,536	1,539
	Europe	4,788	4,994	1,004	1,037	3,784	3,957
Full time	<b>Group</b>	<b>6,703</b>	<b>7,098</b>	<b>1,194</b>	<b>1,277</b>	<b>5,509</b>	<b>5,821</b>
	Germany	1,867	1,910	255	270	1,612	1,640
	Europe	4,836	5,188	939	1,007	3,897	4,181
Part time	<b>Group</b>	<b>314</b>	<b>286</b>	<b>210</b>	<b>190</b>	<b>104</b>	<b>96</b>
	Germany	145	129	110	95	35	34
	Europe	169	157	100	95	69	62
Apprentices	<b>Group</b>	<b>78</b>	<b>79</b>	<b>24</b>	<b>20</b>	<b>54</b>	<b>59</b>
	Germany	68	67	18	16	50	51
	Europe	10	12	6	4	4	8
New employees	<b>Group</b>	<b>602</b>	<b>1,289</b>	<b>143</b>	<b>-</b>	<b>459</b>	<b>-</b>
	Germany	215	293	59	-	156	-
	Europe	387	996	84	-	303	-
New-employee rate in %	<b>Group</b>	<b>8.3</b>	<b>17.3</b>	<b>9.8</b>	<b>-</b>	<b>7.9</b>	<b>-</b>
	Germany	10.3	14.2	15.4	-	9.1	-
	Europe	7.5	18.5	7.8	-	7.4	-
Staff turnover	<b>Group</b>	<b>887</b>	<b>931</b>	<b>154</b>	<b>-</b>	<b>733</b>	<b>-</b>
	Germany	190	163	36	-	154	-
	Europe	697	768	118	-	579	-
Staff turnover rate in %	<b>Group</b>	<b>12.2</b>	<b>12.5</b>	<b>10.6</b>	<b>-</b>	<b>12.6</b>	<b>-</b>
	Germany	9.1	7.9	9.4	-	9.0	-
	Europe	13.4	14.2	11.0	-	14.1	-
Parental leave	Group	158	174	91	91	67	83
Working part time while on parental leave	Group	28	35	17	20	11	15

\* Europe excluding Germany, including Russia

Employee diversity by management structure	Region*	Total		Manager		Non-Management		Governance Body	
		2020	2019	2020	2019	2020	2019	2020	2019
Headcounts	Group	7,095	7,463	724	-	6,371	-	5	5
	Germany	2,080	2,106	204	-	1,876	-	5	5
	Europe	5,015	5,357	520	-	4,495	-	0	0
Female in %	Group	20.1	19.9	17.8	-	20.4	-	0.0	0.0
	Germany	18.4	18.1	15.7	-	18.7	-	0.0	0.0
	Europe	20.8	20.6	18.7	-	21.1	-	0.0	0.0
Male in %	Group	79.9	80.1	82.2	-	79.6	-	100.0	100.0
	Germany	81.6	81.9	84.3	-	81.3	-	100.0	100.0
	Europe	79.2	79.4	81.3	-	78.9	-	0.0	0.0
Up to 30 years in %	Group	12.1	12.7	2.6	-	13.2	-	0.0	0.0
	Germany	14.0	13.5	2.5	-	15.2	-	0.0	0.0
	Europe	11.3	12.3	2.7	-	12.3	-	0.0	0.0
31 - 50 years in %	Group	53.0	52.5	61.6	-	52.0	-	60.0	80.0
	Germany	43.9	43.1	52.0	-	43.0	-	60.0	80.0
	Europe	56.7	56.2	65.4	-	55.7	-	0.0	0.0
Over 50 years in %	Group	34.9	34.8	35.8	-	34.8	-	40.0	20.0
	Germany	42.1	43.4	45.6	-	41.7	-	40.0	20.0
	Europe	31.9	31.5	31.9	-	31.9	-	0.0	0.0


Training by management structure	Region*	Total		Manager		Non-Management		Governance Body	
		2020	2019	2020	2019	2020	2019	2020	2019
Average training hours	Group	10.4	10.8	18.4	-	9.4	-	-	-
Female	Group	10.6	-	21.4	-	9.5	-	-	-
Male	Group	10.3	-	17.7	-	9.4	-	-	-

Training by type of work	Region*	Total		Production		Administration		Distribution	
		2020	2019	2020	2019	2020	2019	2020	2019
Average training hours	Group	10.4	10.8	10.0	9.1	9.5	17.3	11.9	12.4
Female	Group	10.6	-	9.7	-	9.8	-	11.8	-
Male	Group	10.3	-	10.0	-	9.1	-	12.0	-

Employee diversity by type of work	Region*	Total		Production		Administration		Distribution	
		2020	2019	2020	2019	2020	2019	2020	2019
Headcounts	<b>Group</b>	<b>7,095</b>	<b>7,463</b>	<b>4,729</b>	<b>5,012</b>	<b>792</b>	<b>797</b>	<b>1,574</b>	<b>1,654</b>
	Germany	2,080	2,106	1,378	1,398	310	292	392	416
	Europe	5,015	5,357	3,351	3,614	482	505	1,182	1,238
Female in %	<b>Group</b>	<b>20.1</b>	<b>19.9</b>	<b>8.4</b>	<b>8.4</b>	<b>56.6</b>	<b>58.0</b>	<b>37.2</b>	<b>36.6</b>
	Germany	18.4	18.1	7.0	7.4	46.1	44.9	36.5	35.1
	Europe	20.8	20.6	8.9	8.7	63.3	65.5	37.4	37.1
Male in %	<b>Group</b>	<b>79.9</b>	<b>80.1</b>	<b>91.6</b>	<b>91.6</b>	<b>43.4</b>	<b>42.0</b>	<b>62.8</b>	<b>63.4</b>
	Germany	81.6	81.9	93.0	92.6	53.9	55.1	63.5	64.9
	Europe	79.2	79.4	91.1	91.3	36.7	34.5	62.6	62.9
Up to 30 years in %	<b>Group</b>	<b>12.1</b>	<b>12.7</b>	<b>11.8</b>	<b>12.3</b>	<b>13.9</b>	<b>13.6</b>	<b>12.2</b>	<b>13.4</b>
	Germany	14.0	13.5	13.6	13.3	15.5	15.8	14.0	12.7
	Europe	11.3	12.3	11.0	11.9	12.9	12.3	11.6	13.7
31 - 50 years in %	<b>Group</b>	<b>53.0</b>	<b>52.5</b>	<b>48.5</b>	<b>48.3</b>	<b>62.4</b>	<b>62.2</b>	<b>61.7</b>	<b>60.5</b>
	Germany	43.9	43.1	40.3	40.3	56.1	55.8	46.7	43.5
	Europe	56.7	56.2	51.8	51.4	66.4	65.9	66.7	66.2
Over 50 years in %	<b>Group</b>	<b>34.9</b>	<b>34.8</b>	<b>39.7</b>	<b>39.4</b>	<b>23.7</b>	<b>24.2</b>	<b>26.1</b>	<b>26.1</b>
	Germany	42.1	43.4	46.0	46.4	28.4	28.4	39.3	43.8
	Europe	31.9	31.5	37.2	36.7	20.7	21.8	21.7	20.2
Disabled in %	<b>Group</b>	<b>1.8</b>	<b>1.9</b>	<b>2.1</b>	<b>2.3</b>	<b>1.5</b>	<b>1.6</b>	<b>1.0</b>	<b>0.6</b>
	Germany	3.6	2.9	4.2	3.9	2.3	2.1	2.3	0.0
	Europe	1.1	1.5	1.3	1.7	1.0	1.4	0.5	0.8

\* Europe excluding Germany, including Russia

# Xella GRI Content Index 2020

The GRI Disclosures marked with a check mark  have been subjected to a limited assurance by the auditing firm PricewaterhouseCoopers. The limited assurance does not include an audit of the principles of the UN Global Compact.

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**Legend:** \* UN Global Compact

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102-23	Chair of the highest governance body		Governance and ESG Management	74		
102-26	Role of highest governance body in setting purpose, values, and strategy		Governance and ESG Management	74, 75		
102-29	Identifying and managing economic, environmental, and social impacts		Governance and ESG Management	74, 75		
102-31	Review of economic, environmental, and social topics		Governance and ESG Management	74, 75		
102-35	Remuneration policies		HR Strategy and Culture	58, 59		
<b>5 Stakeholder Engagement</b>						
102-40	List of stakeholder groups	☑	Materiality and Stakeholders	27		
102-41	Collective bargaining agreements		Key Figures	86	3	
102-42	Identifying and selecting stakeholders	☑	Materiality and Stakeholders	27, 28, 29		
102-43	Approach to stakeholder engagement	☑	Materiality and Stakeholders	27, 28, 29		
102-44	Key topics and concerns raised	☑	Materiality and Stakeholders	27, 28, 29		
<b>6 Reporting Practice</b>						
102-45	Entities included in the consolidated financial statements					The statements on the Xella Group generally refer to the scope of consolidation of the consolidated financial statements of the Xella Group. In the case of deviations from this, we have indicated the scope of consideration in the footnotes of the respective disclosures or made reference to this in the text.
102-46	Defining report content and topic boundaries		About This Report, GRI Content Index	100, 90		

GRI Standard	Disclosure	Audit	Chapter	Page	UNGC*	Comment
102-47	List of material topics		Materiality and Stakeholders	27, 28, 29		
102-48	Restatements of information		About This Report	100		Since publication of the last Sustainability Report in 2014, business units have been sold and purchased. The information is no longer comparable. This sustainability report, which was prepared voluntarily, reflects the ESG strategy of the Xella Group, which was updated in 2020.
102-49	Changes in reporting		About This Report	100		vide 102-48
102-50	Reporting period		About This Report	100		
102-51	Date of most recent report		About This Report	100		
102-52	Reporting cycle		About This Report	100		
102-53	Contact point for questions regarding the report		Imprint and Contact	101		
102-54	Claims of reporting in accordance with the GRI Standards		About This Report	100		
102-55	GRI Content Index			-		
102-56	External assurance		Audit Report	94		Audit Report on selected information

GRI Standard	Disclosure	Audit	Chapter	Page	UNGC*	Comment	Topic B.**
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**SPECIFIC DISCLOSURES**

**ECONOMIC**

**Economic Performance (201: 2016)**

103-1/2/3	Management approach		Who We Are, How We Think about the Future	14, 15, 19	7		
201-1	Direct economic value generated and distributed		Who We Are	86	3		  
201-2	Financial implications and other risks and opportunities due to climate change		Drive and Value Adding	26	7		  

**Procurement Practices (204: 2016)**

103-1/2/3	Management approach		Supply Chain and Procurement	79, 80, 81			
204-1	Proportion of spending on local suppliers		Supply Chain and Procurement	79			



GRI Standard	Disclosure	Audit	Chapter	Page	UNGC*	Comment	Topic B.**
<b>Anti-corruption (205: 2016)</b>							
103-1/2/3	Management approach		Compliance and Data Management	76, 77, 78	10		X
205-3	Confirmed incidents of corruption and actions taken		-	-	10	none	X
<b>Anti-competitive Behavior (206: 2016)</b>							
103-1/2/3	Management approach		Compliance and Data Management	76, 77, 78	10		X
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices		-	-	10	none	X 🔗 ⚙️
<b>ENVIRONMENTAL</b>							
<b>Materials (301: 2016)</b>							
103-1/2/3	Management approach		Supply Chain and Procurement	79	7, 8, 9		X
301-1	Materials used by weight or volume		Supply Chain and Procurement	80	7, 8, 9		X 🔗
301-2	Recycled input materials used		Key Figures	84	7, 8, 9		X 🔗
<b>Energy ( 302: 2016)</b>							
103-1/2/3	Management approach	☑️	Environmental Management, Climate and Energy	36, 37, 38	7, 8, 9		X
302-1	Energy consumption within the organization	☑️	Key Figures	85	7, 8, 9	Currently, the energy data cannot yet be broken down further.	X 🔗
302-3	Energy intensity		Key Figures	85	7, 8, 9		X 🔗
<b>Water and Effluents (303: 2018)</b>							
303-1/2	Management approach		Environmental Management, Water and Waste Management	34, 43, 44	7, 8, 9		X
303-3	Water withdrawal		Water and Waste Management	44	7, 8, 9		X 🔗
303-4	Water discharge		Water and Waste Management	44	7, 8, 9		X 🔗
303-5	Water consumption		Water and Waste Management	44	7, 8, 9		X 🔗

Legend: \* UN Global Compact — \*\* Topic Boundary: Xella: X — Value Chain: 🔗 — Product Usage: ⚙️
















GRI Standard	Disclosure	Audit	Chapter	Page	UNGC*	Comment	Topic B.**
<b>Emissions (305: 2016)</b>							
103-1/2/3	Management approach	☑	Environmental Management, Climate and Energy	36, 37, 38	7, 8, 9	All reported emission data are related to CO <sub>2</sub> , other greenhouse gases are not considered. We base the determination of our CO <sub>2</sub> emissions on the standards of the GHG Protocol.	✗
305-1	Direct (Scope 1) GHG emissions	☑	Climate and Energy	38	7, 8, 9	The used emission factors are provided by BAFA.	✗
305-2	Indirect (Scope 2) GHG emissions	☑	Climate and Energy	38	7, 8, 9	In accordance with the GHG Protocol, Scope 2 emissions are to be reported using both the location-based and the market-based approach. For country-specific emission factors, Xella uses the ones provided by EEA and BAFA.	✗ 🔗
305-4	GHG emissions intensity	☑	Climate and Energy	38	7, 8, 9	Change in greenhouse gas intensity 2020 compared to previous year based on weighted CO <sub>2</sub> shares per product group.	✗ 🔗
<b>Waste (306: 2020)</b>							
306-1/2	Management approach		Environmental Management, Water and Waste Management	34, 44	7, 8, 9		✗
306-3	Waste generated		Key Figures	84	7, 8, 9	We define as waste all materials that we dispose of for landfill or for further recycling by third parties. Reused production residues and offcuts are not waste, as we return them to the production process.	✗ 🔗
306-4	Waste diverted from disposal		Key Figures	84	7, 8, 9		✗ 🔗
306-5	Waste directed to disposal		Key Figures	84	7, 8, 9		✗ 🔗
<b>Environmental Compliance (307: 2016)</b>							
103-1/2/3	Management approach		Environmental Management	34	7, 8, 9		✗
307-1	Non-compliance with environmental laws and regulations		-	-	7, 8, 9	none	✗

**Legend:** \* UN Global Compact — \*\* Topic Boundary: Xella: ✗ — Value Chain: 🔗 — Product Usage: ⚙️

GRI Standard	Disclosure	Audit	Chapter	Page	UNGC*	Comment	Topic B.**
<b>Supplier Environmental Assessment (308: 2016)</b>							
103-1/2/3	Management approach		Supply Chain and Procurement	79, 80, 81	7, 8, 9		X
308-1	New suppliers that were screened using environmental criteria	-		-	7, 8, 9	Suppliers are selected and awarded contracts according to our Supplier Code of Conduct and Purchasing Policy. We address negative ESG impacts in annual meetings with our key suppliers. From 2022, we will audit suppliers on ESG aspects.	X 🔗
308-2	Negative environmental impacts in the supply chain and actions taken	-		-	7, 8, 9	No negative impacts were brought to our attention and therefore no action was taken.	X 🔗
<b>SOCIAL</b>							
<b>Employment (401: 2016)</b>							
103-1/2/3	Management approach		HR Strategy and Culture	58, 59	6		X
401-1	New employee hires and employee turnover		Key Figures	87	6		X
401-3	Parental leave		Key Figures	87	6	Return from parental leave cannot be reported at present.	X
<b>Occupational Health and Safety (403: 2018)</b>							
403-1	Occupational health and safety management system	☑	Occupational Safety and Health	66, 67			X
403-2	Hazard identification, risk assessment, and incident investigation		Occupational Safety and Health	66, 67			X
403-4	Worker participation, consultation, and communication on occupational health and safety		Occupational Safety and Health	68			X
403-5	Worker training on occupational health and safety		Occupational Safety and Health	68			X
403-6	Promotion of worker health		Occupational Safety and Health	66, 67			X
403-8	Workers covered by an occupational health and safety management system		Key Figures	86		Xella's central occupational safety guidelines and regulations are based on recognised risk management standards and guidelines, such as BS OHSAS 18001 and ISO 45001.	X
403-9a	Work-related injuries	☑	Key Figures	86		We are not able to report according to 403-9b.	X
<b>Training and Education (404: 2016)</b>							
103-1/2/3	Management approach	☑	HR Strategy and Culture, Development and Satisfaction	61, 62	6		X
404-1	Average hours of training per year per employee	☑	Key Figures	88	6		X
404-3	Percentage of employees receiving regular performance and career development reviews		Key Figures	86	6		X

GRI Standard	Disclosure	Audit	Chapter	Page	UNGC*	Comment	Topic B.**
<b>Diversity and Equal Opportunity (405: 2016)</b>							
103-1/2/3	Management approach		Diversity and Equal Opportunity	63, 64	6		X
405-1	Diversity of governance bodies and employees		Key Figures	87, 88, 89	6		X
405-2	Remuneration of women to men	-		-	6	In line with our values, our Code of Conduct and our Non-Discrimination Guideline, we do not differentiate in terms of remuneration by gender, but rather by function and performance.	X
<b>Non-discrimination (406: 2016)</b>							
103-1/2/3	Management approach		Diversity and Equal Opportunity	63, 64	6		X
406-1	Incidents of discrimination and corrective actions taken	-		-	6	none	X
<b>Freedom of Association and Collective Bargaining (407: 2016)</b>							
103-1/2/3	Management approach		Supply Chain and Procurement	79, 80, 81	3		X
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	-		-	3	None, as we mainly produce in Europe and source from local suppliers.	X 🔗
<b>Child Labor (408: 2016)</b>							
103-1/2/3	Management approach		Supply Chain and Procurement	79, 80, 81	5		X
408-1	Operations and suppliers at significant risk for incidents of child labor	-		-	4	None, as we mainly produce in Europe and source from local suppliers.	X 🔗
<b>Forced or Compulsory Labor (409: 2016)</b>							
103-1/2/3	Management approach		Supply Chain and Procurement	79, 80, 81	4		X 🔗 ⚙️
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	-		-	4	None, as we mainly produce in Europe and source from local suppliers.	X 🔗 ⚙️
<b>Local Communities (413: 2016)</b>							
103-1/2/3	Management approach		Society and Commitment	70			X
413-2	Operations with significant actual and potential negative impacts on local communities		Society and Commitment	70	7, 8, 9		X 🔗

**Legend:** \* UN Global Compact — \*\* Topic Boundary: Xella: X — Value Chain: 🔗 — Product Usage: ⚙️

GRI Standard	Disclosure	Audit	Chapter	Page	UNGC*	Comment	Topic B.**
<b>Supplier Social Assessment (414: 2016)</b>							
103-1/2/3	Management approach		Supply Chain and Procurement	80, 81	1-6		 
414-1	New suppliers that were screened using social criteria		-	-	1-6	vide 308-1	
414-2	Negative social impacts in the supply chain and actions taken		-	-	1-6	No negative impacts were brought to our attention and therefore no action was taken.	
<b>Public Policy (415: 2016)</b>							
103-1/2/3	Management approach		Compliance and Data Management	78	10		
415-1	Political contributions		Compliance and Data Management	78	10		
<b>Customer Health and Safety (416: 2016)</b>							
103-1/2/3	Management approach		Quality and Certifications	51, 52			
416-1	Assessment of the health and safety impacts of product and service categories		Quality and Certifications	51, 52		Xella products comply with the requirements of national and European standards as well as national building authority approvals. Xella is subject to the Construction Products Regulation (CPR) and continuously checks its products for health and safety. A percentage cannot be shown at present.	
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services		-	-		none	
<b>Customer Privacy (418: 2016)</b>							
103-1/2/3	Management approach		Compliance and Data Management	78			 
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data		-	-		None were brought to our attention.	 
<b>Socioeconomic Compliance (419: 2016)</b>							
103-1/2/3	Management approach		Compliance and Data Management	76, 77, 78	10		
419-1	Non-compliance with laws and regulations in the social and economic area		-	-	10	none	

## Independent Practitioner’s Report on a Limited Assurance Engagement on Sustainability Information<sup>1</sup>

To Xella International GmbH, Duisburg

We have performed a limited assurance engagement on the disclosures denoted with “☺” in the sustainability report of Xella International GmbH, Duisburg (hereinafter “the Company”), for the period from January 1, to December 31, 2020 (hereinafter the “Report”). Our engagement in this context relates solely to the disclosures denoted with the symbol “☺” .

### Responsibilities of the Executive Directors

The executive directors of the Company are responsible for the preparation of the Report in accordance with the principles stated in the Sustainability Reporting Standards of the Global Reporting Initiative (hereinafter the “GRI-Criteria”) and for the selection of the disclosures to be evaluated.

This responsibility of Company’s executive directors includes the selection and application of appropriate methods of sustainability reporting as well as making assumptions and estimates related to individual sustainability disclosures, which are reasonable in the circumstances.

Furthermore, the executive directors are responsible for such internal controls as they have considered necessary to enable the preparation of a Report that is free from material misstatement whether due to fraud or error.

### Independence and Quality Control of the Audit Firm

We have complied with the German professional provisions regarding independence as well as other ethical requirements.

Our audit firm applies the national legal requirements and professional standards – in particular the Professional Code for German Public Auditors and German Chartered Auditors (“Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer”: “BS WP/vBP”) as well as the Standard on Quality Control 1 published by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW): Requirements to quality control for audit firms (IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis - IDW QS 1) – and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### Practitioner’s Responsibility

Our responsibility is to express a limited assurance conclusion on the disclosures denoted with “☺” in the Report based on the assurance engagement we have performed.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the IAASB. This Standard requires that we plan and perform the assurance engagement to allow us to conclude with limited assurance that nothing has come to our attention that causes us to believe that the disclosures denoted with “☺” in the Company’s Report for the period from January 1, to December 31, 2020 has not been prepared, in all material aspects,

<sup>1</sup> PricewaterhouseCoopers GmbH has performed a limited assurance engagement on the German version of the sustainability report and issued an independent practitioner’s report in German language, which is authoritative. The following text is a translation of the independent practitioner’s report.

in accordance with the relevant GRI-Criteria. This does not mean that a separate conclusion is expressed on each disclosure so denoted.

In a limited assurance engagement, the assurance procedures are less in extent than for a reasonable assurance engagement and therefore a substantially lower level of assurance is obtained. The assurance procedures selected depend on the practitioner's judgment.

Within the scope of our assurance engagement, we performed amongst others the following assurance procedures and further activities:

- Obtaining an understanding of the structure of the sustainability organization and of the stakeholder engagement
- Inquiries of personnel involved in the preparation of the Report regarding the preparation process, the internal control system relating to this process and selected disclosures in the Report
- Identification of the likely risks of material misstatement of the Report under consideration of the GRI-Criteria
- Analytical evaluation of selected disclosures in the Report
- Inspection of processes for collecting, controlling, analyzing and aggregating selected data at specific sites of the Company
- Evaluation of the presentation of the selected disclosures regarding sustainability performance

### **Assurance Conclusion**

Based on the assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the disclosures denoted with "☺" in the Company's Report for the period from January 1, to December 31, 2020 have not been prepared, in all material aspects, in accordance with the relevant GRI-Criteria.

### **Intended Use of the Assurance Report**

We issue this report on the basis of the engagement agreed with the Company. The assurance engagement has been performed for purposes of the Company and the report is solely intended to inform the Company as to the results of the assurance engagement. The report is not intended

to provide third parties with support in making (financial) decisions. Our responsibility lies solely toward the Company. We do not assume any responsibility towards third parties.

Frankfurt, April 14, 2021  
PricewaterhouseCoopers GmbH  
Wirtschaftsprüfungsgesellschaft

Nicolette Behncke                      ppa. Juliane  
German Public Auditor                von Clausbruch

# About This Report

We have published this sustainability report to give our stakeholders an understanding of the vision and specific sustainability goals that we are pursuing. By publicizing our ambitious intentions and goals, we are also taking on an obligation to hold ourselves accountable. We want to – and must – measure ourselves by our progress.

Unless otherwise indicated, this report incorporates the activities of the entire Xella Group, including the Building Materials and Insulation business units (the URSA Group), for the 2020 fiscal year (January 1 to December 31). It contains all the significant economic, environmental, and social impacts of our activities in accordance with the Global Reporting Initiative's transparency standard (GRI, "Core" option) and serves as a Communication on Progress for the UN Global Compact (UNGC). Our last sustainability report was published in 2014. With this GRI report, we are providing a new and comprehensive presentation of our activities. In the future, this sustainability report will be updated and released annually in German and English.

This report contains statements about the future that are based on current assumptions and expectations. Various factors may lead to the actual results varying from the estimates presented in this document.

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft has subjected the sections of the Report marked with a check mark in the → [GRI Content Index](#) and the → [Key Figures](#) table to a limited assurance engagement. Aspects and key figures of the following areas were audited: the process and the inclusion of stakeholders in our materiality analysis, our data-capture processes for ESG information, and management approaches to carbon emissions, employee training/professional development, and occupational safety and health.



# Imprint

## **Xella International GmbH**

Public and Investor Relations  
Düsseldorfer Landstrasse 396  
47259 Duisburg  
Germany

→ [sustainability.xella.com](https://sustainability.xella.com)

## **Contact**

Claudia Kellert, Head of Public and Investor Relations  
[sustainability@xella.com](mailto:sustainability@xella.com)

## **Consulting, concept, and text**

Fährmann Unternehmensberatung GmbH, Munich, Germany

## **Art direction and layout**

Julia Ochsenhirt, Berlin, Germany

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We would like to thank all Xella colleagues for their active support in preparing this report and for their permission to reprint images.

This report was produced in a climate-neutral manner conducive to a circular economy. The paper used in the main section (Evolution blue Nature) is Cradle to Cradle Certified®. The paper used for the cover (Rives Tradition) is FSC® Mix certified. Environmentally friendly plant dyes were used in printing.



