



Superior Industries Europe AG

Sustainability Report 2019



**Communication on Progress to the
United Nations Global Compact**





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Statement of continued support

Dear ladies and gentlemen,

We are pleased to share with you our second Sustainability Report.

Due to the merger with Superior Industries International, Inc., our focus for 2018 was to align our existing sustainability programs and practices, such as training programs, Code of Conduct, or business ethics hotline.

We are dedicated to keep sustainability as part of our agenda, and to contribute to tackle the world's pressing issues, such as climate change and unstable social conditions.

In 2017, we signed up to the UN Global Compact to formally demonstrate our commitment to its core values in the areas of human rights, labor, environment and anti-corruption. With this report being our second Communication on Progress (COP), we would like to reaffirm our commitment and describe our actions to integrate the Global Compact and its principles into our business strategy, culture and daily operations. We are also committed to share this information with our stakeholders using our standard channels of communication.

We invite all business partners and other interested parties to join and support us in realizing this vision and encourage everyone to contact us in case of any questions or suggestions and are looking forward to another year under the banner of sustainability.

Bad Dürkheim, March 2019

Dr. Wolfgang Hiller

CEO



General Information and Sustainability Management

Superior Industries Europe AG, formerly UNIWHEELS AG, is one of the leading manufacturers of alloy wheels in the European aftermarket (Accessory Division) and one of the largest wheels suppliers to the automotive industry (Automotive Division). It is headquartered in Bad Dürkheim, Germany, with around 2,900 employees in Germany and Poland. Since May 2017 the US aluminum wheel manufacturer Superior Industries International, Inc., has been the majority shareholder of Superior Industries Europe.

Superior Industries Europe also equips professional motorsport racing vehicle series with high-tech wheels. For more than 40 years, the company has been producing high-quality aluminum wheels mainly using the low-pressure casting technique.

With the global brands of ATS, RIAL, ALUTEC and ANZIO, Superior Industries Europe possesses comprehensive knowledge in the accessories market and technical expertise as a key supplier to the automotive industry. Furthermore, with its wide range of brands, the company offers wheels for all target groups, from premium to economy.

Our sustainability program is overviewed by the Compliance Department, and implemented at operational level (Human Resources, Quality Safety and Environment, Purchasing, Risks, Product department etc.). In this sense, Superior Industries Europe has a centralized approach. We update our Carbon Footprint based on the Greenhouse Gas Protocol and compose the UNGC report on a yearly basis. In 2019, Superior Industries Europe will assess for the first time a Product Carbon Footprint. In this report, we report our regular practices as well as new actions implemented throughout the reporting year and the updated Key Performance Indicators.



Human Rights

Principle 1: We support and respect the protection of internationally proclaimed human rights
Principle 2: We make sure that we are not complicit in human rights abuses

We declare their full support for the United Nations Universal Declaration of Human Rights. Our operations are based in Germany and Poland. According to the Verisk Maplecroft Human Rights Risk Index 2016, Germany has a low prevalence of human rights-related risks. Our research and development activities are carried out exclusively in Germany, in cooperation with renowned research institutions. All quality standards and sector commitments are fully adhered to. Therefore, direct implications are not likely. Poland, however, is identified as medium risk country (see “Further information”). In order to prevent the occurrence of any potential issues, our group-wide Code of Conduct (CoC) outlines our stance on human rights related issues such as discrimination, harassment, mobbing, intimidation and assault. This CoC must be signed by all employees upon completion of a contract.

As for 2017, in 2018 the group kept implementing procedures:

- Training on the Code of conduct
- Ethics Hotline
- External ombudsman
- Measures to deal with incidents: Upon notification of an incident, the Management Board is informed immediately. In the event of minor incidents, internal measures will be taken, in the event of a severe incident, an external lawyer will be consulted.

No incidents linked to human rights were reported via the whistleblowing mechanism.

0 cases of human rights breach

Further information: Verisk Maplecroft: Human Rights Risk Index 2016.



Labor Principles

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labor;

Principle 5: the effective abolition of child labor; and

Principle 6: the elimination of discrimination in respect of employment and occupation

Working at Superior Industries Europe

At Superior Industries Europe, it is our aim to provide a happy and safe work environment to all our employees. To ensure this, we have outlined clear rules and guidelines on fairness, transparency and respect in our group-wide Code of Conduct (CoC).

Concerning social dialogue, we guarantee our employees freedom of association and the right to collective bargaining as regulated by national and European laws and standards, through the following actions:

- In Werdohl, existence of a works council
- Since 2017, works council also in place in Bad Dürkheim
- Collective agreements in place

Since 2018, there is also one overarching council covering all Germany. Each works council is responsible for their sites, while global topics are addressed at national level through this new council.

432 employees covered by collective agreements or engaged in social dialogue through unions

Superior Industries Europe is an equal opportunities employer. We fully comply with national and European employee protection and anti-discrimination legislation. Also, our employment policy is aligned with legal requirements emphasizing that we do not condone any economic activity based on forced, compulsory or child labor. We make sure to raise awareness through the Code of Conduct, as well as dealing with any incident through our whistleblowing system and external ombudsman.

Anti-discrimination measures start from recruitment on. In Germany, on the job offers, it is common to specify that both genders can apply for the job. Superior Industries Europe has now extended the genders with a third mention ("diverse"). In addition, we want to give all our employees the best chances of integration. In this sense, we will roll out a new program in 2019, which aims at reintegrating employees after long sick leaves, and support employees who are chronically ill through prevention plan. Our diversity efforts also comprise a vocational training program. With such program, students can gain professional experience while learning in school at the same time. They are employed for three years and alternate between classes and work in the company. The theoretical knowledge gained at school is applied in practice. In addition, we have hired three working students



who support the departments in their daily business, in Compliance, Marketing and Human Resources.

0 discrimination case 3 Working students

At Superior Industries Europe, we provide ongoing training and qualification initiatives to our employees, and focus on a long-term, cooperative HR development strategy. Our program contains the following measures:

- Personalized training plans
- Annual performance meeting
- Training courses such as leadership training
- Educational leaves

During 2018, we have updated our current training plans for the different business units based on a new competences model. This model is split into different training categories: Soft Skills, Management, Languages, IT, Health and Safety, Miscellaneous and Topic-Specific seminars, and into the different departments of the business units.

1 training plan per business unit 1 yearly appraisal interview per employee 100% employees trained on topics such as Health and Safety
--

Working at Superior Industries Europe also entails benefits. In the past years, we have been rolling out a structured staff retention program, including:

- Provision of discounts
- Sport card
- Bike (including e-bike) leasing with support from the company
- Discount up to 50% for buying Superior Industries AG Europe wheel

The bike leasing is a perfect example of a mix between environmental and social topics: by supporting the leasing, the company enables the employees to use the bikes, which are beneficial for their health, as well as for the environment, and can replace the use of cars.

Our benefits program also comprises a bonus scheme, which has been updated in 2018 to align to Superior Industries International, Inc., program, as well as additional days of holidays compared to the legal minimum.

Of note, this year, 30 employees from Sales, Marketing, Purchasing and HR moved and are now in a building with improved conditions such as larger offices with more space, more meeting rooms and a specific lunch room.



In order to further improve working conditions, we have implemented a satisfaction survey for our employees in Poland, and we plan to extend it to Germany in 2019. We review the suggestions and plan to implement measures accordingly.

85% of employees polled in the satisfaction survey

Health and Safety

Due to the use of heavy machinery and hazardous substances in our day-to-day business, occupational health and safety plays a crucial role for Superior Industries Europe. This is reflected in our policies, which warrant the protection of our employees’ health and safety in everything we do. To achieve this, we focus on incident-prevention and have set ourselves a zero-incident goal.

To reach this goal, we follow a strict health and safety management system which is being implemented through various standard operating procedures (SOPs) by our Health, Safety, Environment & Energy (HSEE) Officer. Such system entails:

- Trainings
- Provision of personal protective equipment
- Mandatory and voluntary health checks for employees
- Risk assessments twice a year
- Audits
- OHSAS 18001 certification

In 2018, to reinforce such program, Superior Industries Europe has implemented further measures during the reporting year

- New employee protective equipment (screen glasses)
- New vaccination campaign against the flu
- Renewed OHSAS 18001 certificate

On top of this, we strive to provide a stress-free environment to our employees. For example, we provide home office possibilities, to optimize work life balance.

Of note, our total injury recordable rate decreased by 9% from 2017 to 2018.

Total recordable injury rate 2018: 1,44 compared to 1,57 in 2017
Number of accidents 2018: 50 compared to 52 in 2017



Environment

- Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies

In May 2017, Superior Industries Europe implemented a policy that addresses the protection of the environment. One objective set in this policy is to further reduce our water and energy consumption, as well as to improve waste management. Furthermore, Superior Industries Europe is ISO 14001 certified for all sites and ISO 50001 certified for our Werdohl production site. As part of such certifications, employees are also trained on these topics.

Energy

The production process of alloy wheels is energy-intensive. To manage the associated impacts, Superior Industries Europe set constant reduction goals. For 2018, those were set for the energy and gas consumption per produced unit: <24 kWh/wheel for electricity, and <42 kWh/wheel for gas. The targets were slightly exceeded this year with 25,6 kWh/wheel for electricity and 42,3 kWh/wheel for gas, due the higher consumption caused by the increase of flow-forming wheels.

Figure 1: Electricity and gas used per produced wheel in kWh

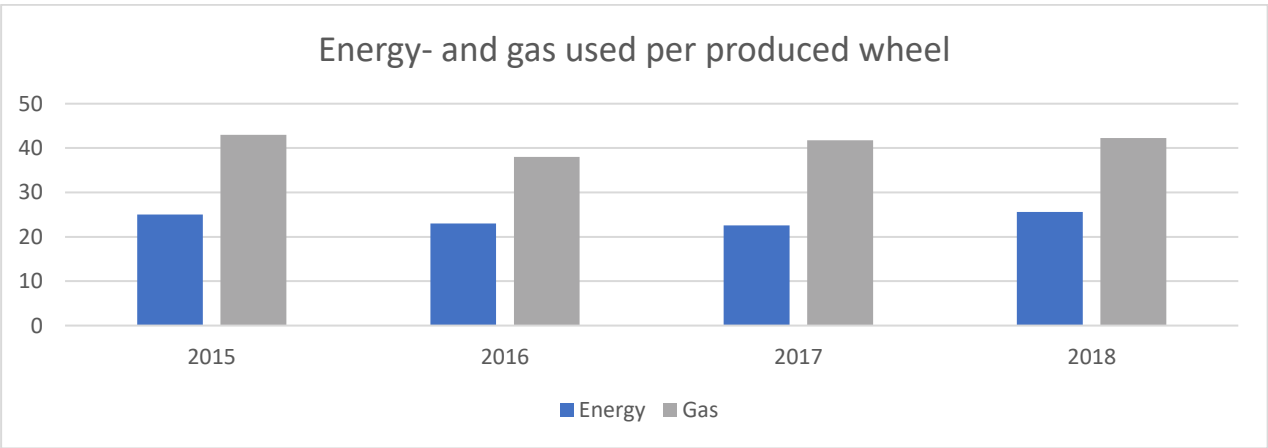


Figure 1 shows the amount of electricity and gas used for the production of one wheel (in kWh) calculated by dividing the total consumption for both categories by the number of produced units. Compared to 2017, both values for 2018 have slightly increased.

Total electricity consumption: 227 166 MWh

Total natural gas consumption: 443 483 MWh

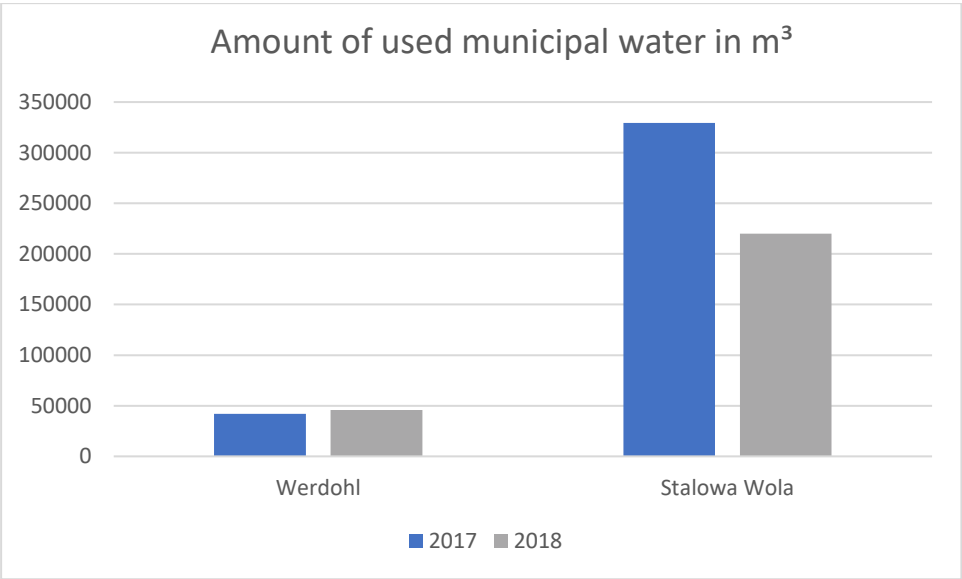


Water

As for the previous year, all water is taken from the municipal water supply. The surface water of Superior Industries Europe dispatch hall in Werdohl is discharged in a local stream. To ensure that no hazardous substances are released accidentally, the related sludge trap is monitored monthly by the company itself, every six months by an expert employee and every five years, a general inspection must be undertaken.

The Figure 2 shows the total amount split into the two main production sites (Stalowa Wola is composed of three different lines)

Figure 2 Amount of used water in m³



Greenhouse Gas Emissions

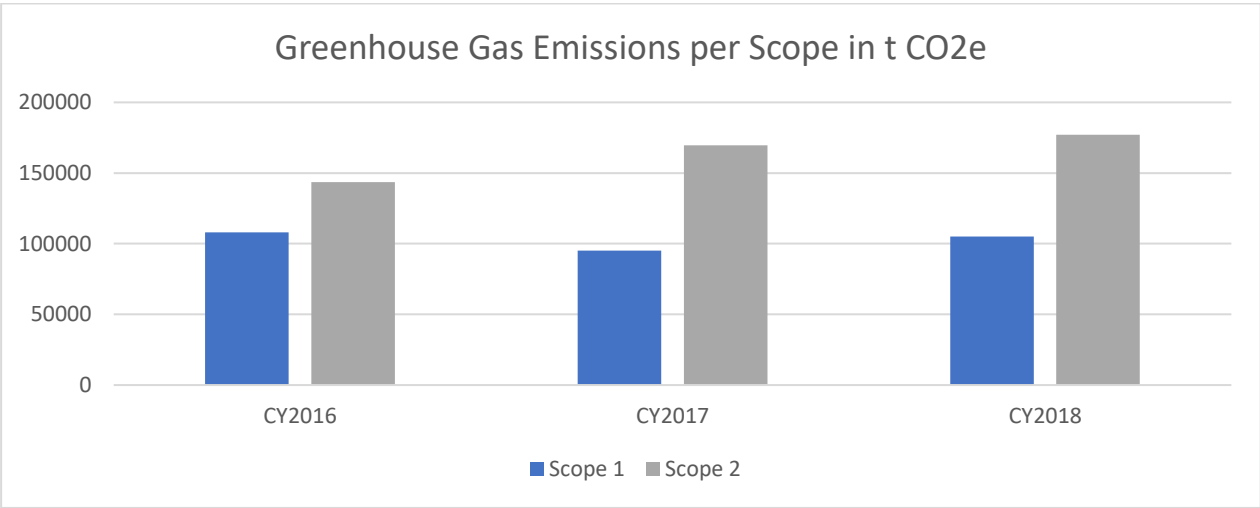
For the past two years, Superior Industries Europe has been assessing its Corporate Carbon Footprint with the assistance of an external institute, with the aim to assess and better manage our contribution to global warming.

Scope 1 and Scope 2 emissions (i.e. direct emissions and emissions from purchased electricity) have slightly increased due to an increase in output. In addition, some production sites were not yet fully operational in 2017 compared to 2018, leading to higher energy consumption. Relative emissions per unit of production have remained almost constant.

Total water consumption 2018: 265 694 m³



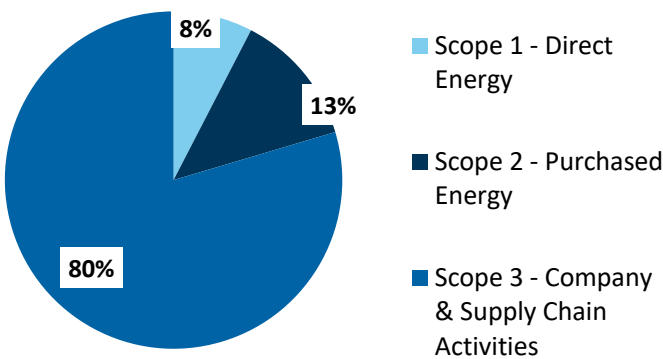
Figure 3: Greenhouse Gas Emissions per Scope and year



Total Scope 1 and Scope 2 GHG emissions 2018: 282 000 t CO2e

The Scope 3 emissions were assessed for the first time in 2017 and reassessed for the calendar year 2018, enabling a comparison. Emission categories assessed include emissions from purchased goods and services, capital goods, employee commuting, business travel as well as up- and downstream transportation and distribution. In total, Scope 3 emissions represent 80% of the overall Carbon Footprint.

Figure 4: GHG emissions 2018 by Scope



Scope 3 emissions 2018: 1 101 000 t CO2e
Scope 3 emissions 2017: 1 080 000 t CO2e.
Increase of +2% in line with increase in activities



Within the indirect emissions in Scope 3, the upstream emissions of the production materials we procure account for over 90% of emissions. This is due to the energy-intensive production of aluminum, our primary raw material. We are tracking the energy sources used by our aluminum suppliers in order to better approximate the respective emissions. In 2018, over 70% of the aluminum sourced was produced using predominantly renewable energy sources.

Emissions related to the Product Use Phase

To match the EU requirements, vehicle manufacturers need to reduce the GHG emissions of cars (95g CO₂e/km). We want to help our customers meet this target and keep doing business with them. Therefore, we are focusing on developing products that help reduce fuel consumption and GHG emissions through lighter weight and/or better aerodynamics, allowing potential reductions of several percent, depending on the specific application.

We address these challenges within our R&D department and in close contact with our customers.

Product Carbon Footprint

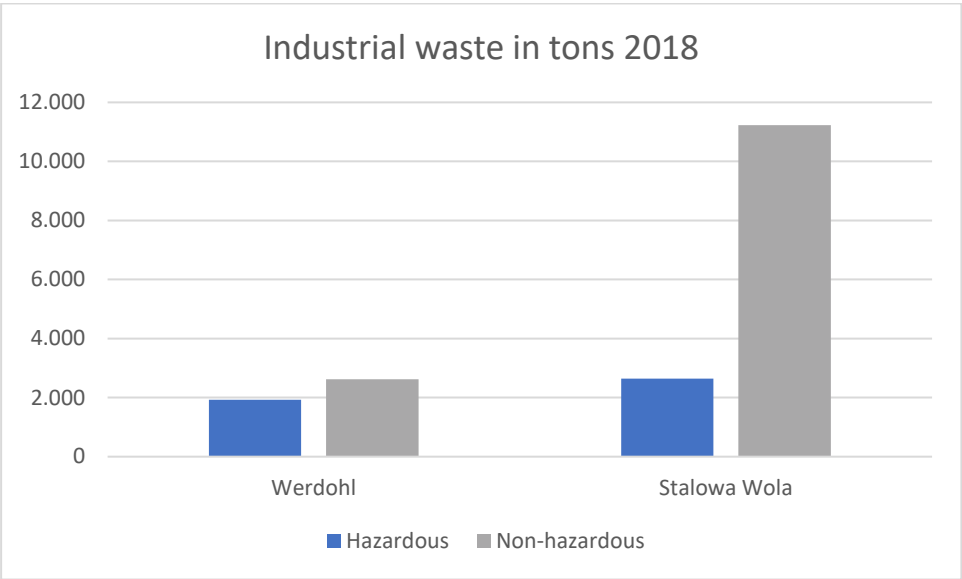
In late 2018, we have started to assess the Product Carbon Footprint of a typical product, including all relevant lifecycle stages (“cradle to cradle” approach). The results of this project will provide further insight into the contributions of different lifecycle and production steps and will serve as a baseline for assessing further reduction potentials in production, logistics and vehicle application. Results are expected within the first half of 2019.

Industrial Waste

We work with several potentially environment-harming substances. We have several procedures to handle waste and comply with all the regulation in this sense, in order to properly dispose of our industrial waste.



Figure 5: Industrial waste 2018



Total industrial waste 2018: 18 429 t



Anti-Corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery

Superior Industries Europe condemns all forms of corruption, bribery and extortion. We believe in transparency and are convinced that open and honest communication, collaboration and fairness are the key to long-term business success. These values are reflected in our group-wide Code of Conduct which outlines our views on corruption, bribery, sponsoring, donations, hospitality, fair competition, and transparency. The CoC is available in German, English and Polish and is to be adhered to by all our employees and signed upon completion of a contract.

The Corruption Perceptions Index 2017 (Transparency International) shows that the countries Superior Industries Europe operates in and most suppliers are located in, have a “low” risk of corruption, with the exception of Poland being categorized as “medium” risk (see “Further Information”).

Anti-corruption

In 2018, our measures feature:

- regular training high-risk groups on general compliance as well as specific anti-corruption issues.
- monitoring of the number of incidents
- whistleblowing mechanism
- structured procedures to deal with incidents (after an incident has been reported to the group-wide compliance officer or external ombudsman, the Management Board is informed. In minor cases, internal measures will be taken, in severe cases, an external lawyer will be consulted.)

In addition, training sessions on the updated code of conduct and ethics procedures are now available in a e-learning format, both in German and Polish. It is planned that employees without regular access to work computer will be trained also in 2019, so that all employees are aware of our requirements. Of note, the whistle blowing system has been updated to match our new scope, and can now be found at <https://secure.ethicspoint.com/domain/media/en/gui/40124/index.html>. All employees were informed through training and others means of internal communication.

In the last year, no incidents were reported through the whistleblowing hotline. One incident was reported directly to the compliance officer but deemed unconfirmed after a detailed investigation.

0 incidents reported via the hotline
1 incident unconfirmed by the compliance officer



Information security

This year, the GDPR (the EU General Data Protection Regulation) put a stronger emphasis on our already existing data protection program. Such program is steered by the data protection officer. Various procedures have been implemented to ensure the protection of data. For example, Superior Industries Europe uses EU model clauses for data transfers outside the EU.

In addition, to make our employees of the requirements, we implemented an anti-phishing training, and planned to further train employees on such topics over the next year.

0 Information breaches reported in 2018

Further information:

Corruption Perception Index 2017

https://www.transparency.org/news/feature/corruption_perceptions_index_2017



Outlook

In this outlook, we want to provide some of our goals and planned targets for 2019

Goals

0 Human Rights breach

Renew OHSAS 18001 certificate

Roll out of program to reintegrate people who are chronically ill

Extend satisfaction survey to Germany

kWh/wheel = <24 kWh/wheel for electricity <42 kWh/wheel for gas consumption

Product Carbon Footprint for one product

Updated Corporate Carbon Footprint for Scopes 1-3

Renew ISO 14001 and ISO 50001 Certificates

Train employees without access to computer on the the new CoC

All employees trained on data security

Imprint

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