

Accsys Technologies plc

ACCSYS
TECHNOLOGIES PLC

The Accsys Technologies plc Impact Report

June 2013

The Social Impact Report for Accsys Technologies PLC

(‘Accsys’ or the ‘Company’)

Table of Contents

1. Disclaimer	3
2. CEO Overview	4
3. Social Purpose and context	6
4. Who benefits	9
5. Activities and Operations	15
6. Stakeholders	23
7. Evidencing Social Value	27

Accsys[®], Accoya[®], Tricoya[®] and the Trimarque Device are registered trademarks owned by Titan Wood Limited (“TWL”), a subsidiary of Accsys Technologies PLC, and may not be used or reproduced without written permission from TWL, or in the case of the “Tricoya[®]” trademark, without written permission from Tricoya Technologies Limited, a joint venture between TWL and INEOS Industries Holdings Limited, with exclusive rights to exploit the Tricoya[®] brand

Disclaimer

The purpose of this document is to provide general information about Accsys Technologies PLC, its subsidiary companies, ("Accsys") and its operations solely to the addressee. This document is for the exclusive use of the persons to whom it is addressed and their advisers and shall not be copied or reproduced or distributed, communicated or disclosed in whole or in part by recipients to any other person nor should any other person act on it.

The information in this document has not been independently verified by Accsys. Except in the case of fraudulent misrepresentation, no responsibility, liability or obligation is accepted by Accsys or by any of its officers, employees, advisers or agents as to or in relation to this document or sufficiency of information contained herein or any other written or oral information made available to any interested party or its advisers and any such liability is expressly disclaimed save as may be expressly agreed in writing by Accsys and any third party. In particular, but without limitation, no representation or warranty, express or implied, is given by Accsys or any of its officers, employees or agents as to the achievement or reasonableness of, and no reliance should be placed on, any projections, estimates, forecasts, targets, prospects or returns contained herein. Any projections, estimates, forecasts, targets, prospects or returns contained herein are not a reliable indicator of future performance. Nothing in these materials should be relied upon as a promise or representation as to the future.

Accsys gives no undertaking and is under no obligation to provide the recipient with access to any additional information and it reserves the right, without giving reasons, at any time and in any respect to amend anything described in this document.

This document does not constitute in any jurisdiction an invitation or inducement to engage in investment activities or an offer by Accsys or any of its officers, employees, advisers or agents for the sale or purchase of securities or of any of the assets, business or undertaking of Accsys. If you require any investment advice, please consult with a professional financial adviser.

By accepting this document the recipient agrees to be bound by the foregoing limitations.

1. CEO Overview

a) Organisational Summary

Accsys is a UK incorporated environmental science and technology company focused on sustainability via the development and commercialisation of a range of transformational technologies based upon the acetylation of solid wood and wood elements (wood chips, fibres and particles). The primary focus is on the production, sale and licensing of Accoya[®] solid wood and Tricoya[®] wood elements technology via the Company's 100% owned subsidiaries, Titan Wood Limited, Titan Wood B.V., Titan Wood Technology B.V. and Titan Wood Inc; and its newly formed joint venture with Ineos, Tricoya Technologies Limited.

Manufactured through the Company's proprietary acetylation process, these solid and wood element products exhibit superior dimensional stability, durability and other important benefits compared with alternative natural, treated and modified woods as well as more resource intensive man-made materials.

The attributes of Accoya[®] make it a highly effective solution for a wide range of external applications including doors, windows, cladding, decking, shutters, louvers, civil works, landscaping, outdoor furniture and more.

The possibilities for the use of Tricoya are ever expanding but include facade cladding, fascia and soffit panels and other secondary exterior applications, window components; wet interiors, including wall linings in swimming pools, bathrooms, wet rooms, changing rooms; speciality furniture including lockers, cubicles, chairs and tables, play frames, tree houses and exterior composite furniture; signage; automotive parts and sports equipment including surfboards, sleds and snowboards.

b) Commitment to Social Value

A focus on corporate and social responsibility lies at the very core of our business. Our technologies not only enable us to manufacture wood products that offer 'best in class' durability, dimensional stability and a wide spectrum of other performance and environmental advantages over alternative environmentally threatened or compromised products, but also provide attractive opportunities for our employees, distributors, licensees and other stakeholders. We want to ensure that our business is not only a commercial success, but also run in a responsible fashion as we continue to advance technologies for a better world.

Through our research and development group we are continually looking for ways to develop our technologies and products to make them more energy efficient and to reduce as far as possible any adverse impact on the environment.

We encourage stakeholders to review this Impact Report in detail and to contact us for more detailed information should they require it.

2. Social Purpose and context

a) Our aim

Accsys aims to reduce the use of environmentally unfriendly building materials and products by the utilisation of our propriety technology and the introduction of our products throughout the world.

The planet continues to consume endangered materials like tropical hardwood and non-renewable, high emitting building materials such as plastics, concrete and metals at an alarming rate. Our products offer alternative, sustainable new materials that resolve many of the limitations that wood and these other materials have.

Accsys has already developed and is commercially producing Accoya[®], solid acetylated wood. We have developed the process for the production of Tricoya, acetylated wood elements used for the production of panel products such as MDF. We are committed to increase the use of these products globally through sales from our manufacturing facility, and on a substantially larger scale by licensing our technologies to other companies so that they too can manufacture these products.

We are also committed to continuing research and development concerning our products (uses and new wood species) and of our processes. This on-going development is designed to increase the use, applicability and improve the efficiency and environmental benefits which in turn will benefit many of our stakeholders.

b) Context – the issue

An increasing global population and consumption has resulted in our planet being overexploited with a depletion of resources, mass deforestation of tropical forests, waste problems, toxic emissions and global warming. Therefore it seems unimaginable to remain consuming endangered materials like tropical hardwood and non-renewable, high emitting building materials such as plastics, concrete and metals at an alarming rate.

Our current consumption pattern shows an addiction to non-renewable materials and resources while deforestation of tropical rainforests continues. The ugly landscape of degraded land through mining and deforestation also results in extra releases of greenhouse gases further enhancing the global warming problem.

Although from a resource and carbon sequestration perspective wood seems like the ideal material, there is an important reason why it has not been adopted as the main building material in modern markets: mediocre performance in use (poor durability and dimensional stability leading to short life-spans and frequent maintenance). While tropical hardwoods represent some of the best performing and most beautiful woods available, there is simply not enough to sustainably harvest anymore with depletion of tropical rainforest as a catastrophic consequence. Man-made materials based on metals, plastics and concrete, but also chemical wood preservation with toxic substances, solved some durability issues, but the environmental damage in the production and waste phase are no longer tolerable (landscape deterioration, depletion, toxic waste).

Man-made materials as well as wood treated with toxic chemicals provides serious problems in the end of life phase; whereas wood is biodegradable, these materials often end up in landfills and pollute the soil and surroundings.

Overconsumption of fossil fuels such as coal, oil, gas - causing global warming – means that reserves of fossil fuels are quickly depleting, showing the urgent need to focus on energy based on renewable sources such as sun, hydro, wind and biomass.

c) Context - our solution

Our products, Accoya® and Tricoya®, are the most environmentally friendly building solutions over their full life cycle of production¹, use and final retirement. Made from abundantly available, typically fast growing sustainably sourced, renewable resources, yet with durability and dimensional stability exceeding the best performing tropical hardwoods. They are natural building materials with low maintenance and consistent qualities of the highest performing non-sustainable man-made materials; while benefitting from all positive attributes of wood (sustainability, strength, beauty) without the downfalls (poor durability & stability), and able to take full advantage of the complete resource, including low quality and waste material in the production of Tricoya wood elements.

The environmental performance of Accoya® is thoroughly tested and published following uncompromising leading independent international methodologies. For example, carbon footprint studies show that Accoya® significantly outperforms most other building materials, including a wide range of sustainably sourced hardwoods; and that Accoya® window frames are now classified by the Delft University of Technology as carbon negative over their lifetime cycle².

¹ Eg. <http://www.accoya.com/wp-content/uploads/2013/01/Accoya-wood-2012-cradle-to-gate-carbon-footprint-update.pdf> and <http://www.accoya.com/wp-content/uploads/2011/05/Life-cycle.pdf>

² <http://www.accoya.com/wp-content/uploads/2013/02/Carbon-footprint-cradle-to-grave-report-window-frame-FINAL.pdf>

3. Who benefits

The beneficiaries are split into two broad groups:

- a) the global community as a result of the overall environmental impact; and
- b) those that benefit directly from our products and involvement with Accsys.

a) The global community

Our products are an alternative to tropical hardwoods and other high impact, carbon intensive materials such as plastics, concrete and metals.

A natural solution for the problem of landscape deterioration and global warming is wood from well managed sources. The forests we appreciate for their beauty and function as natural ecological habitat, are actually an important carbon sink by filtering CO₂ out of the air and absorbing this in the biomass of the tree. Although there are many misconceptions about this issue, for the sake of climate protection, the best approach is to preserve the forest through responsible management, while harvesting as much wood as sustainable for the production of durable products such as furniture or construction products, which will act as additional carbon stores while providing the forest the opportunity to regenerate and produce new biomass. As wood is a renewable resource, this is a very effective way to absorb carbon in the forest as well as in durable products. In fact, while in the tropical regions deforestation is still continuing, in temperate regions such as in Europe and North America the net forest area has been increasing steadily for several decades. Deforestation has significant social benefits for those adjacent communities that would otherwise have suffered from such continued and unsustainable sourcing.

To produce Accoya[®] and Tricoya[®], only abundantly available, typically fast growing wood species such as Radiata Pine are being used from certified, sustainably managed forests and plantations, including FSC (Forestry Stewardship Council), PEFC (Programme for the Endorsement of Forest Certification) and other regionally certified woods.

Furthermore, the improved durability qualities that Accsys introduces to the wood, result in a longer life material which further improves the carbon sequestration properties. Together with a number of other properties and benefits (described more detail below and in section 4) our products clearly provide a unique way to reduce the impact of the environmental issues including deforestation of tropical forests, waste and toxic emissions and global warming.

b) Specific beneficiaries

Government – local, national and international

Governments at all levels are now looking to either promote the use of environmentally sustainable materials or are enforcing their use.

For example many local authorities around the world frequently have specific requirements for building materials to meet environmental as well as performance requirements. Our products provide a clear alternative to the materials previously used but which may no longer be acceptable. While this list of potential alternative materials is likely to grow, Accsys has been able to clearly demonstrate the benefits of our products in respect of the environment, performance and costs benefits, in particular when looking over the life-cycle of the required application.

At a higher level, national and international governing bodies are seeking to limit the environmental impact of deforestation and global warming. This is being done in a number of ways, such as the targeting of national CO₂ emissions and by targeting a reduction in tropical forest deforestation. For example the European Union recently implemented a new Timber Regulation which seeks to prohibit illegally harvested timber and timber products from being placed on the EU market which up to now has been considered to have a significant negative social and economic impact³. Our products provide a new way of enabling targets and regulations such as these of being met.

The products which Accsys has introduced to the market place increase the options available to users of building materials which help meet the various targets and objectives set by local, national and international governments, thus demonstrating that their policies are achievable.

Distributors/Accsys customers

Our products provide a number of key performance advantages over existing materials which offer our customers (i.e. distributors) a new premium product to sell onto their customer based (including manufacturers and building material

³ http://ec.europa.eu/environment/eutr2013/_static/files/facts-and-figures/eu-timber-regulation-facts-and-figures_v01_en.pdf

suppliers). Accsys currently has 42 distributors globally who are now selling Accoya. These distributors benefit in a number of ways:

- Enabling sales growth by selling a new, profitable, high performance product in tough economic climate;
- Introduction of a high performance, sustainable product into an organisations own product listing enables distributors to provide a more complete service and product offering to their own customers; and
- On-going relationship with Accsys which includes product and marketing support.

Licensees

Accsys believes the quickest way to accelerate the positive impact of our products is to licence its technologies relating to the production of its products to third party companies. Such licensees are expected to build their own production facilities and then manufacture and sell the end products to customers.

Such licence agreements are a major undertaking and require a sizable investment by the licensee, however they provide significant opportunities. In return for paying Accsys licence fees and royalties, the licensee obtains rights to use Accsys' core acetylation technologies and marketing rights. These enable the licensee to produce and sell our products at margins which are expected to enable licensees to generate significant returns over the life of the licence contract. Such opportunities will appeal to a number of different companies which may be looking to add a new product offering to an existing product range, utilise industrial production capacity or simply identify new growth markets which also have the benefit of providing a sustainable story at a time when many corporate companies are being challenged to contribute more widely to society.

According to the Food and Agriculture Organization of the United Nations, State of the World's Forests 2009, the global annual production of wood products exceeds 3 billion m³; the European, North American and Asian production of sawn timber and panel products totalled 209, 215 and 164 million m³ in 2005 respectively. More specifically, the Freedonia Group states that the 2008 global demand for siding and cladding was 4.3 billion m² and for windows and doors the demand was US\$136 billion. Accsys has previously stated that that over a five to ten-year period a global licensing volume for Accoya[®] and Tricoya[®] wood in the region of 5 million m³ (1.16% of total sawn wood production in 2007) is potentially achievable. While it is expected to take a number of years to reach this impact, progress has already been made in starting to licence our technologies. The most significant developments are:

- Licence agreement with Solvay for the production and sale of Accoya[®] wood. The licence provides for the grant to Solvay of exclusive rights for a 15 year period to produce and sell Accoya[®] within the Council of Europe save for Belgium, Ireland, Luxemburg, the Netherlands and the United Kingdom in return for Solvay paying Accsys licence and royalty fees. The agreement allows for the construction of multiple Accoya[®] production plants, with the first plant having an initial capacity of approximately 63,000 m³ of Accoya[®] output. The agreement remains conditional on certain limited provisions being satisfied, including the formal approval of Solvay's board of directors.
- 50:50 joint venture with INEOS to exploit Accsys' intellectual property surrounding its proprietary Tricoya[®] wood elements acetylation technology and processes which is now expected to lead to the accelerated global deployment of Tricoya. The new company, Tricoya Technologies Limited ("TTL"), will develop and exploit Accsys' Tricoya technology for use within MDF, particle board and wood plastic composites in a worldwide panel products market estimated to be worth more than €60 billion annually.
- Joint Development Agreement with Medite for the production of Medite Tricoya[®].
- Licence option agreement with a leading MDF and Particle Board manufacturer in Latin America for the production and sale of Tricoya[®] based panels. Through this agreement, Accsys has granted an option of exclusive production and distribution rights for an initial volume of approximately 60,000 metric tonnes of Tricoya[®] per annum. During the two-year term of the option agreement, the option holder will carry out an extensive evaluation of Tricoya material, including market testing, production testing and the development of end-products

Employees

Accsys employees benefit from their involvement with Accsys in a number of ways. This includes the prospect of working as part of a small team involved with growing a small and ambitious company into a successful and sustainably profitable company. In order to encourage the long term involvement and commitment of its staff, Accsys has set up an Employment Share Participation Plan which is accessible to all staff and allows for participating employees to receive an additional share on a 1 for 1 matched basis. Further benefits include discounted products for staff that have been keen to undertake their own projects incorporating Accoya. A positive culture is further promoted throughout the company and Accsys employees take great pride in the development and success of the products and company. This positive approach is extended to other important aspects such as the focus on health and safety. (Please see Section 5; Activities and Operations below for details).

Suppliers

Suppliers such as key certified timber suppliers (currently largely based in New Zealand) benefit from a new sales route and additional demand.

End users

Constructions using man made materials such as metals, plastics and concrete can cause environmental damage and fall into disrepair more quickly. Accoya wood and Tricoya based panels provide several environmental gains and cost savings due to the improved properties of Tricoya and Accoya. The following are the key benefits of Accoya which end users benefit from:

- Outstanding durability – lasts 50 years above ground and 25 years below. Class 1 durability, surpassing even teak. Virtually rot proof;
- Dimensional stability – swelling is reduced by 75% or more; doors and windows open effortlessly year round; paints and varnishes last for 3 or 4 times longer, greatly reducing maintenance costs;
- Insect barrier – indigestible to a wide range of insects including termites;
- From sustainable sources;
- Consistent quality throughout – from surface to core. No need to apply preservatives when cut or planed;
- Retained strength and hardness;
- Perfect for coating – Improved stability means coatings last 3 or 4 times longer; easier to coat, less preparation and sanding required;
- Excellent machinability – easy to machine and process – no special tools required;
- UV resistant – superior resistance to UV degradation when translucent coated; natural appearance lasts longer;
- Naturally insulating – offers improved insulation in comparison with commonly used wood species; ideal for applications where energy conservation is important;
- Naturally beautiful wood – the process does not compromise the wood's natural beauty; and

- Non-toxic and recyclable – protects the environment from the harmful effects of common treatments; may be safely reused and recycled.

End users are able to benefit from these attributes in a many number of different ways including from improved costs over the lifetime of the product and new opportunities for product development (which in turn provides higher margin opportunities).

4. Activities and Operations

a) Production Phase

Procurement

To produce Accoya® and Tricoya, only abundantly available, typically fast growing wood species such as Radiata Pine are being used from certified, sustainably managed forests and plantations, including FSC, PEFC and other regionally certified woods. To maximise resource efficiency from the forest, logs are used to produce Accoya®, while the smaller stems and branches may be used as input material for production of Tricoya. Furthermore, waste wood from construction projects may earn a high quality second life as input material for Tricoya, thus even increasing the carbon sink effect.

Through the photosynthesis process trees absorb CO₂ and solar energy in their creation of wood, while releasing oxygen in return. Depending on the density of the wood (the denser, the more carbon is stored), 1 m³ of wood may store over 1 ton of CO₂ for its lifetime⁴.

Fast growing softwood species such as Radiata Pine are primarily used to produce Accoya®. The use of wood species that produce larger volumes of wood over the same time span for the same area of land offers obvious environmental advantages. Radiata Pine even outperforms giant bamboo – known to grow incredibly fast – in terms of annual yield. This means that there is an ample supply of timber from certified sources for the production of Accoya® wood to replace scarcely available certified tropical hardwood in demanding exterior applications.

Production

Accoya is currently produced at our manufacturing plant in Arnhem, The Netherlands.

Accoya production is based upon our patented acetylated wood technology, a process that has previously been studied by scientists around the world for more than 90 years but not previously commercially perfected. This method of improving wood has

⁴ Source – Building with wood = The active form of climate protection (2011) Centre of Life and Food Sciences Weihenstephan Technische Universität München.

been proven to deliver such superior performance that it has long been used as the “gold standard” against which other methods are measured.

The physical properties of any material are determined by its chemical structure. Wood contains an abundance of chemical groups called “free hydroxyls”. Free hydroxyl groups adsorb and release water according to changes in the climatic conditions to which the wood is exposed. This is the main reason why wood swells and shrinks. It is also believed that the digestion of wood by enzymes initiates at the free hydroxyl sites – which is one of the principal reasons why wood is prone to decay.

Acetylation effectively changes the free hydroxyls within the wood into acetyl groups. This is done by reacting the wood with acetic anhydride, which comes from acetic acid. When the free hydroxyl group is transformed to an acetyl group, the ability of the wood to absorb water is greatly reduced, rendering the wood more dimensionally stable and, because it is no longer digestible, extremely durable.

The process requires the input of acetic anhydride, and results in a valuable bi-product called acetic acid. This acid is either recycled (by conversion back into acetic anhydride) or sold into the market as it has a number of uses including in the production of a number of other chemicals widely used in industry. This therefore allows for an improved carbon footprint.

Production and product improvements and species development

Accsys has continued to invest in developing our technology in order to increase the productivity and efficiency of our plant and for the potential benefit of our licensees. This has included research, testing and implementation of process changes and the installation of new equipment which has also helped reduce maintenance, increase reliability and to reduce as far as possible any adverse impact on the environment.

Significant work has been carried out developing analytical methods and mathematical models which have further increased our knowledge of both our processes and products which have created opportunities to improve our capacity, product uniformity as well as production cycle time and energy consumption. In addition we have continued to carry out research which will lead to improved product quality.

One specific area of improvement concerns the sourcing of timber. Radiata pine, largely sourced from New Zealand, is currently used to produce Accoya wood. Although the intercontinental transport distance may be high, in many instances the annual transport emissions of acetylated radiata pine, per product lifespan, are competitive when compared with various continentally sourced timber species. This is due to the efficient low emissions transport used (sea transport), low weight, and lifespan improvement through acetylation.

Nevertheless, we are continuously engaged in comprehensive species testing with the end goal of being able to commercially acetylate the species that are most local to any of our current and potential licensees, wherever they may be in the world. That means reducing the need for transporting raw wood and therefore reducing our carbon footprint further still⁵. As a result we have successfully introduced Accoya Alder made from certified North American and European sources.

Accsys endeavors to improve our impact on wider communities through product development. Accsys is continually looking for new ways and applications for Accoya and Tricoya. Existing applications include windows, doors, cladding, decking, and structural but there are so many more applications that would benefit from the use of these products. Accsys allocates a significant amount of resources to identifying the most relevant application that would have the biggest positive social impact and work closely with our suppliers and other business partners in this respect.

Health and Safety

Accsys Technologies is committed to maintaining a healthy and safe environment for all its group employees, licensees, business partners, customers and the communities in which we operate. The plant is subject to regular inspections, certifications and quality assurance undertaken by Accsys' staff and accredited certification bodies. Accsys has established operational procedures to minimise production safety and environmental risks. The plant complies with all requirements of all relevant local law and regulation, has an official environmental permit and meets the strict manufacturing criteria of Cradle to Cradle certification on the elusive Gold level.

⁵ <http://www.accoya.com/wp-content/uploads/2013/01/Accoya-wood-2012-cradle-to-gate-carbon-footprint-update.pdf>

Our employees and offices

Accsys strives to build real collaborative team spirit, where each employee feels valued and their individual needs are listened to. We are committed to upholding the basic principles of equality and fairness. We do our best to ensure that all of our business partners adhere to the same code.

Each of our offices promotes an environmentally friendly policy. We believe even small actions contribute to our overall goals. For example, we use either 100% recycled paper or paper produced from wood pulp harvested from sustainable forests and encourage a policy of recycling by providing recycling bins in the office. Employees are expected to turn off any electrical devices when not in use and our offices are also fitted with energy efficient light bulbs.

We also offer employees the opportunity to buy shares in the company through an attractive employee share participation plan. Employee share options and employee ownership schemes attract and motivate staff and help align their interests with shareholders. To encourage employees to embrace the product more fully, Accsys also offers employees discounted pricing on Accoya® purchases.

Licensing

See Licensee section in 3(b).

b) Use Phase – Long life

Environmental impact

The downsides of wood – such as the poor durability, low dimensional stability and susceptibility to UV degradation are overcome by acetylation. Due to these improved properties, Accoya® wood and Tricoya® based panels provide several environmental gains during the use phase. First of all, the durability of Accoya and Tricoya is Class 1, the highest durability class possible, and both materials have several quality certifications (KOMO, RAL, BBA, WDMA, etc⁶) and are guaranteed to last at least 50 years above

⁶ KOMO = Quality mark for the building industry in the Netherlands; RAL = German Institute for Quality Assurance and Certification; BBA = British Board of Agrément; WDMA = Window & Door Manufacturers Association.

ground and at least 25 years in direct soil contact. This facilitates a longer lifespan which enables lower material consumption (less replacement!) over the same period compared to most other materials. This also means that Accoya and Tricoya have carbon sequestration advantages as they lock CO₂ for a longer time from the atmosphere, therefore building with Accoya and Tricoya can be perceived as “active climate protection”.

Secondly, the superior dimensional stability of Accoya and Tricoya means they require less frequent coatings and hence maintenance with the subsequent environmental benefit (and lower costs). If left uncoated, durable species degrade aesthetically rather than physically, showing a ‘greying’ of the surface. Leaving the wood uncoated is acceptable for some applications but coating is still a fundamental requirement for many applications, such as windows and doors, no matter how durable the wood, and thus coatings life is a major factor in their overall performance.

Finally, compared to other durable wood species, Accoya and Tricoya offer superior thermal insulation, which yields energy conservation advantages in applications such as window frames.

Business partners

We also want our own activities and those of our licensees, suppliers and other business partners to be socially and environmentally responsible. We are committed to a policy of minimising any negative social and environmental impact that may result from our activities and expect the same high standards from our business partners. Accordingly we are committed to identifying and working with suppliers to ensure they maintain or exceed our same high standards.

Training and certification programs

Accsys allocates a significant amount of resources to educating stakeholders. Accsys both provides and participates in a significant number of educational programs and events around the world. We use these opportunities to educate the audience of not only the product and how to use it, but also to educate the audience on the bigger environment and social issues and how products like ours could make for a better world.

Programs offered:

- *Accoya Joinery Certification Program:*

This program is offered to joinery companies that use or would like to use our Accoya® products. The Accoya® Joinery Certification Scheme adds creditability to manufacturers as it improves participants' understanding of Accoya® wood. The free of charge education process that is offered by Accsys Technologies involves a presentation with a Q&A session aimed at key production staff at the joiners' premises.

By the end of the session the joiners are fully versed in the intricacies of using Accoya® and have a greater understanding of the manufacturing process and the correct use of ancillary materials and become a trained user of Accoya. The joiners are then presented with a certificate to acknowledge the successful completion of the training. On completion of the joinery certification scheme joiners are offered free marketing support. This includes Accoya web pages for inclusion on a joiners own website, co branded leaflet designed and printed and branded benefits sheets. This can be used to promote Accoya to consumers, architects and clients.

Over the last 12 months, Accsys has carried out 227 training courses in the UK and Ireland and 17 in Australia. We have recently implemented this training program in the USA.

- *Online architectural course:*

Our architectural courses cover the superiority of wood over other higher impact building materials and then how modified wood can overcome the limitations for wood use in demanding applications. The course also shows how to save tropical hardwoods and the importance of using certified sustainable wood. The on-line versions of the course, AIA and RIBA certified, can be taken by anyone and, upon completion of the course, can be used to receive continued education points for Architects.

- *Conferences and Seminars:*

Accsys also presents to selected audiences who will influence adoption of our technology, including architects, government agencies, academics and other parties (e.g. research institutes - BRE, invited representatives of relevant agencies / ministries, e.g. ministry of transport & BRANZ in New Zealand; World Conference of Timber Engineering). We also present at conferences to wider audiences with a possible interest (e.g. at the World Methanol Conference, Spain, which addresses the broader chemicals and acetals industries and other scientific groups). The presentations typically provide an overview of the material and how it compares to other wood and non-wood materials, including its ecological credentials; a brief review of the history of the science since the first published data (in the 1920s); examples of how the Accoya[®] and Tricoya[®] products are being used and some concepts on how the materials are being tested (down to -196°C) and how they may be used in the future (e.g. electricity pylons).

Warranties

Accoya[®] has a 50 year warranty when used in above ground applications and 25 years when used in below ground applications. Longer life means lower material consumption and because Accoya and Tricoya have carbon sequestration advantages that lock CO₂ for a longer time from the atmosphere, they may be perceived as "active climate protection".

Engaging local communities

We actively engage with local community projects as far as possible on a pro-bono basis. By so doing we hope to showcase the high performance of our products; draw attention to the viability of "green" products; and assist local communities in reaching their goals. Some examples of support have included the London Capital Clean Up campaign, St Mungo's London homelessness charity, Chelsea Flower Show in London and Architecture for Humanity reconstruction efforts in Haiti.

c) End of life phase

In the end of life phase Accoya[®] and Tricoya[®] provide no limits. Accoya[®] is non-toxic and is therefore fully biodegradable. As a result, Accoya can be handled in the same manner as untreated natural wood at the end of its life. It comes as no surprise that

Accoya fits perfectly in the biological cycle of the Cradle to Cradle design philosophy and has thus been awarded the Gold certification.

Following the “preferential sequence for waste management” (Dutch: “Ladder van Lansink”) issued by the Dutch government in the National Waste Management Plan, for more efficient use of our limited resources available, and optimum carbon sequestration effect, Accoya and Tricoya can be re-used in applications with the same or even higher added value (up-cycling).

The design of products/projects with ease of disassembly and re-use is therefore worthy of consideration. As wood products are in essence stored solar energy, they can be used for green clean energy production (releasing only the CO₂ absorbed during growth) thus saving emissions caused by burning oil, gas or coal, including the ecosystem deterioration that use of these fossil fuels causes. The renowned German research institute Wilhelm-Klauditz-Istitut (WKI) has confirmed that Accoya® wood may be incinerated for energy production in the same manner as untreated wood and that no additional toxic substances will be released upon incineration.

5. Stakeholders

Stakeholders are those individuals, groups of individuals or organisations that affect and/or could be affected by an organisation's activities, products or services and associated performance.

Accsys has identified that the following groups of people are key stakeholders:

a) Distributors

Accsys' distributors are responsible for the on-ward sale of Accoya to end users. Accsys has built up a network of 42 distribution or agency agreements which now sell to over 40 countries worldwide. Under the agreements, the distributors, who typically have extensive experience selling timber, undertake to market and promote our products. In return, they receive on-going support from Accsys.

Accsys holds worldwide Annual Accoya conferences since 2011 which have proved to be an interesting and a worthwhile experience. Attended by most Accoya[®] distributors, this was a great opportunity for Accsys' key customers to share ideas and visit Accoya projects. The next conference is planned in September 2013 in Bremen, Germany. Further support includes the provision of marketing support and guidance as well as benefitting from the various training and certification programmes described in Section 4(b) above.

b) Licensees

Accsys has previously stated that that over a five to ten-year period a global licensing volume for Accoya[®] and Tricoya[®] wood in the region of 5 million m³ (1.16% of total sawn wood production in 2007) is potentially achievable. The selection of potential licensees and the on-going relationship between them and Accsys therefore is a key part of the Accsys day to day operations with involvement of all levels of Accsys employees and management due to the size and complexity of the resulting agreements. See Licensee section in 4(b) above for further details.

c) End customers, suppliers and other business partners.

Accsys has and continues to develop a network of relationships with a number of individuals, companies and other organisations which have an interest in our products, technologies, processes or environmental credentials, for example research and testing bodies and coatings companies. These relationships assist Accsys with further developing the market place as well as product and process development. Communication is carried out in a number of ways including:

- A quarterly newsletter 'Round up' is issued to share any new and relevant information. Read by distributors, end users, investors and partners this is a good communication tool that encourages and has enabled Accsys and its products to generate a positive reputation in the market place;
- Up to date corporate and product websites including all news; corporate issues, brand and product information;
- Product awareness is also available by social media sites including, facebook and twitter;
- Accsys also has contact forms on all our websites where anyone can contact us with questions, feedback etc. They can also opt-in to receive marketing material from us;
- Brand and Financial PR firms – report relevant activities, progress in local newspapers, magazines and online; and
- Contact details for relevant Accsys personal and third party PR firms are included on the company websites.

d) Ineos – Joint Venture

In October 2012, Accsys entered into a new 50:50 joint venture with INEOS to exploit Accsys' intellectual property surrounding its proprietary Tricoya[®] wood elements acetylation technology and processes, which is expected to lead to the accelerated global deployment of Tricoya. The company, Tricoya Technologies Limited ("TTL"), will develop and exploit Accsys' Tricoya technology for use within MDF, particle board and wood plastic composites in a worldwide panel products market estimated to be worth more than €60 billion annually.

The Tricoya technology gives engineered wood products, such as MDF, a level of durability and dimensional stability that is comparable with or superior to non-wood products, while offering all of the advantages of wood – including a high strength to weight ratio and excellent mechanical and machining properties. Significantly, Tricoya[®] enables MDF wood to be competitive with non-wood materials, opening up markets in a huge number of new applications which have hitherto been the preserve of plastics, metals, resin and cement based products.

INEOS is one of the world's biggest petrochemical companies. INEOS will contribute not only its significant market reach but also its impressive technology, licensing and intellectual property expertise. As part of the transaction, TTL has been granted rights to exploit Accsys' Tricoya[®] technology and will also benefit from a licence of any intellectual property held by INEOS that may assist the joint venture in maximising the value of the Tricoya[®] proposition. Profits generated by TTL are to be shared between Accsys and INEOS in a way that reflects each party's interest. The contribution of Accsys' Tricoya[®] intellectual property to the Joint Venture will be reflected through a disproportionate future profit share which will create significant value for Accsys.

e) Employees

Accsys has an extensive communication plan for employees, which includes an annual global sales and marketing meeting which is attended by all of the sales and marketing teams. This event is motivating and provides an overview of the current year and future plans of the business and sales territories. The meeting is led by the sales and marketing director, and presentations are given by each sales and technical manager which gives a general insight to others of strengths, weakness and threats and opportunities, in their market area. The exercise of the meeting is to share ideas and opportunities amongst the group and take away new information.

Regular employee meetings with the CEO and COO are set up to update the team on company progress against strategy, where an open question and answer session also takes place.

A newsletter is sent out to every employee, every 4-6 weeks to keep all up to date with developments on the business, sales and marketing results and projects. Feedback and employee engagement is encouraged. Quarterly Senior Management meetings also take place with other team updates and departmental updates occurring more regularly.

f) Board

The Board meets regularly and is responsible for strategy, performance, approval of major capital projects and the framework of internal controls. To enable the Board to discharge its duties, all Directors receive appropriate and timely information. Briefing papers are distributed to all Directors in advance of Board meetings. All Directors have access to the advice and services of the Company Secretary. The appointment and removal of the Company Secretary is a matter for the Board as a whole. In addition,

procedures are in place to enable the Directors to obtain independent professional advice in the furtherance of their duties, if necessary, at the Company's expense.

In addition to scheduled meetings there is frequent contact between all the Directors in connection with the Company's business including Audit and Nomination and Remuneration committee meetings which are held as required, but as a minimum twice per annum. Additional board meetings are held during the year as may be required in connection with certain specific matters.

Directors are subject to re-election by the shareholders at Annual General Meetings. The Articles of Association provide that Directors will be subject to re-election at the first opportunity after their appointment and the Board submit to re-election at intervals of three years.

Day to day operating decisions are made by the Management board of which the Chief Executive Officer, the Chief Operating Officer and Finance Director are members.

g) Shareholders

Accsys is listed on the London Stock Exchange AIM and also NYSE Euronext Amsterdam. Communication with shareholders is given high priority. There is regular dialogue with shareholders including presentations after company's preliminary announcements of the year-end results and six monthly results. The Board uses the Annual General Meeting to communicate with investors and welcomes their participation. The Chairman aims to ensure that the Directors are available at the Annual General Meetings to answer questions.

The Accsys Annual Report and Financial Statements includes a detailed Corporate and Social Responsibility section containing much of the information included in this Impact Report. As further progress against our objectives is made, we are committed to increasing the level of disclosure surrounding our environmental and social impact.

Communication also takes place by Investor alerts – e-mails to communicate major progress made by the company that does not need to be communicated as a formal Regulatory News Story (RNS).

6. Evidencing Social Value

Accsys creates social value through its core activities (i.e. production, research and development and sales and marketing). It has also been actively involved in a number of community engagement projects (see examples in section 6b). The table below provides an overview of Accsys core activities and resulting (existing or potential) measurement indicators that can be used to help value its social impact:

Social Impact Measure	Existing or Proposed Measurement Source	Measure in place and regularly monitored	Measure and baseline identified and monitoring expected in near term	Measures and monitoring under consideration	Comments
Production					
• Sustainable forestry	Area forested sustainably Accreditations (i.e. FSC, EFC)	✓		✓	
• Reduction in greenhouse gas emissions and environmental damage	Accreditations Carbon footprint of the products Non-toxic product	✓ ✓ ✓			E.g Cradle to Cradle Gold Award, Future Build, Singapore Green Label, Dubo Keur
• Production and recycling of waste (e.g. acetic acid)	Life Cycle Analysis % of waste recycled		✓		Accoya window frames 19-26% better performance compared to wood, PVC and aluminium Including acetic acid as bi-product

Research and Development					
• Ability to commercially modify local wood species	Further reduction in timber transport emissions	✓			
• Development of environmentally sustainable materials	No. of new environmental innovations brought to market		✓		
• Greater use of environmentally friendly and sustainable materials	No. of people trained	✓			
	Sales of products to customers	✓			
Community Projects and Donations					
• Community Projects	e.g. Volume of community infrastructure projects			✓	
	e.g. Green Smart Life Project – no. of new housing units built			✓	
• Donations	e.g. to community investment projects			✓	
• Sponsorship	No. of previously excluded people participating			✓	