



Stahl Compliance Report 2022

January 31, 2023

Stahl is aligned to the UN Global Compact, the world’s largest corporate sustainability initiative, and has reported on its guiding principles, annually, since 2011. The 10 principles of the UN GC are included in the Stahl Code of Conduct for Business partners. With this commitment, Stahl has confirmed the alignment of its strategy and operations to the universal principles of human rights, labour, environment, and anti-corruption. Stahl also reports on its progress with the 17 UN Sustainable Development Goals (SDG’s) in its annual ESG report and ESG roadmap and has committed to tangible targets for 2023 and 2030.

Since 2018 Stahl has been subject to the French law (“SAPIN 2”), introduced to eradicate corruption. Stahl applies a zero-tolerance policy towards corruption.

This report is focused on:

- a. Local law and regulations
- b. SAPIN 2 legislation (anti-corruption)
- c. Sanctions and embargoes
- d. Safety, health, and environment (“SHE”) / Process safety
- e. Compliance policies / Whistleblower process
- f. Business Partner Compliance Procedure
- g. External business rating on sustainability and ethics
- h. Modern Slavery
- i. Diversity
- j. Compliance training
- k. Privacy rules

a. Local laws and regulations

Stahl is committed to complying with the laws and regulations of the countries in which it operates. The responsibility for this compliance lies with the Stahl local entities, under the supervision of the Stahl global legal and compliance departments in the Netherlands. If necessary, local Stahl companies can hire external counsel to assist with topics such as employee dismissals, permits or tax compliance. Every quarter, local finance departments report (to the Stahl global legal and compliance departments) any material legal and tax risks for their respective companies. In 2022 no material legal and/or tax risks did occur. Audits of the statutory reports are performed by external auditors. The audit of the consolidated (IFRS) statutory report 2022 is being performed by Deloitte.

b. SAPIN 2 legislation (anti-corruption)

One of the laws applicable to Stahl is the French SAPIN 2 legislation, which imposes an obligation on certain companies to implement measures to prevent and detect corruption and influence peddling offences, committed either in France or abroad. Stahl is subject to this law and implemented a compliance program to comply with the requested measures. The measures implemented by Stahl are (in short):

- **Corruption Risk mapping:**
Each year, Stahl performs a corruption risk mapping exercise, through interviews with Stahl’s management by the Stahl Group Head of Tax & Compliance. In 2022, interviews were held with 26 colleagues from different countries and businesses. The focus group for the interviews included the Stahl Leadership Team and Stahl technicians who visit and provide technical support to the customers of Stahl. Furthermore, interviews were held with 2 distributors.
- **Stahl Employee Code of conduct / Business Partner Code of Conduct:**
Stahl implemented Codes of Conduct for its employees and relevant business partners. See paragraphs e and f.
- **Training program:**
Stahl employees need to follow mandatory annual e-learning compliance trainings, including anti-corruption e-learning. See paragraph j.



- Third party due diligence procedures:
Stahl implemented a third-party due diligence procedure for relevant business partners. See paragraph f.
- Whistleblower system:
Stahl implemented a whistleblower system. See paragraph e.
- Control procedures:
Stahl implemented several accounting procedures, including a specific accounting procedure on anti-corruption.
- An internal monitoring and assessment system:
Stahl implemented an internal monitoring and assessment system regarding the SAPIN 2 requirements. Stahl has an internal auditor.
- A disciplinary procedure:
Stahl has effective disciplinary rules, which can be invoked if Stahl employees do not comply with the applicable laws, regulations, and Stahl compliance policies. See paragraph e.

For 2020 and 2021 Stahl prepared a SAPIN 2 compliance monitoring report, describing the monitoring and control efforts, results, and follow-up actions. This report was audited by the Stahl's independent internal auditor. For 2022 a similar report is being prepared, which will also be audited by the internal auditor.

c. Sanctions and embargoes

Stahl is committed to complying with the sanctions and embargoes implemented by local country laws and/or by the European Union, the United States of America (USA) and the United Nations. The responsibility to comply with these regulations lies with the local Stahl entities under supervision of the Stahl Global Compliance department.

Every year the Stahl Compliance department sends reminders to all regional management regarding the sanctions/embargoes that apply when doing direct or indirect business with customers in sensitive countries. The compliance with sanctions/embargoes laws and regulations are also discussed internally during compliance trainings, for example at the Stahl Annual Management Conference in November 2022. This year specific focus was also put on adherence to the EU sanctions regarding Russia. Stahl uses a SAP tool for sanctioned party list screening. Based on this tool customer, vendor and business partner master data are checked against various sanctions lists, such as the EU, USA, and UK sanction lists. Orders are automatically blocked through this tool if names and/or addresses (partly) match with sanctioned parties and can only be de-blocked after a check done by the Stahl Compliance department. In 2022 no orders were blocked in the end after the check was performed.

The Stahl Product Stewardship Department determines if certain restrictions apply to products under the various sanctions and embargoes and whether a material qualifies as a "dual use material". If so, such material will be flagged in the material masters in SAP, for all Stahl plants. When an order is placed for a product that is flagged in this way, a warning is received and the order is blocked for delivery. For domestic orders this delivery block can be removed locally by the Credit Manager after reviewing. In the case of export orders, the delivery block can only be lifted by the Credit Manager with written approval from the Stahl Group Head of Tax & Compliance.

d. Safety, Health & Environment (SHE) / Process safety

Stahl is responsible for ensuring a safe working environment for its employees and employees must comply with the safety regulations applicable to their workplace. Stahl applies a zero-tolerance policy with regard to safety breaches. Stahl complies with local Safety, Health and Environment (SHE) regulations and with its own corporate safety policy, which is implemented by means of a Global SHE management system. The responsibility to comply with the criteria and requirements defined by Stahl, and with local SHE regulations lies with the local Stahl entities. The Site and SHE managers, located at each Stahl site, are responsible for implementing the SHE criteria and ensuring that the compliance of rules is rooted in the management line and applied to every person present at the site. SHE performance is reported monthly to Stahl headquarters and is consolidated into a global report which is distributed to the Board and the higher management.

In 2021 Stahl initiated an external company-wide safety culture survey, including 22 sites in 13 countries. The recommendations from this survey were addressed by the implementation of global and local safety culture programs. In 2022 a systematic approach to process safety training was defined and began to be



implemented to reinforce the knowledge on this topic. The safety culture survey will be repeated early 2023. Relevant projects have been included in the 2023 budget.

e. Compliance policies / Whistleblower process

Stahl's compliance policies apply to all employees, including the Employee Code of Conduct, Whistleblower Policy, a Disciplinary Action policy, and the Nepotism and Conflict of Interest policy. All employees must adhere to these policies and confirm they have read and understood the policies through the HR Employee Engagement Platform (EEP). The completion of compliance training by employees is monitored by HR and the Stahl Group Head of Tax & Compliance. Employees (and third parties) can also report any issues by email through Whistleblower@Stahl.com. Furthermore, in September 2022 Stahl implemented an easy to use form on the Stahl website which can be used to report any concern by employees and/or third parties. This can also be done anonymously (see <https://www.stahl.com/strategy/sustainable-development/policies-statements-reports>).

In 2022, 8 whistleblower reports were received. These related to inappropriate or possible fraudulent behaviour, conflicts of interest and an environmental topic. These cases were all investigated in detail and, where substantiated, appropriate actions were taken, such as the termination of 2 employment agreements, issuing disciplinary actions and adjustment of internal procedures.

In 2022 The Stahl Group Head of Tax & Compliance gave several compliance presentations, both virtually and locally with special focus on the Whistleblower policy and speak-up culture within Stahl, which further underlines Stahl's drive for an open and inclusive leadership style.

f. Business Partner Compliance Procedure

Stahl is committed to the highest standards of social and environmental responsibility and ethical conduct. Stahl expects the same behaviour from its Business Partners, being agents, distributors and suppliers. With this in mind, Stahl implemented a Business Partner Due Diligence procedure regarding part of its Business Partners. The selection of Business Partners is risk based. With the Business Partner Due Diligence Procedure, the compliance-relevant behaviour and integrity of relevant (potential) Business Partners of Stahl are monitored. This enables Stahl to detect any 'red flags'. This procedure assists Stahl's employees in establishing and maintaining a commercial relationship with reliable and ethical Business Partners. The Business Partner Due Diligence procedure consists of:

- (1) the Stahl "Business Partner Code of Conduct", which the relevant Business Partner needs to sign, or alternatively provide a copy of its own similar Code of Conduct to Stahl.
- (2) the Business Partner Questionnaire, which should be completed by the relevant Business Partner and Stahl employee.

If Stahl discovers that a Business Partner does not comply with the Code of Conduct or "red flags" appear based on the Business Partner Questionnaire, appropriate action will be taken by Stahl, including, if necessary, a no-go decision or discontinuation of business with that Business Partner. In 2022, there were some business partners who did not provide their own Code of Conduct and/or did not sign the Stahl Code of Conduct. In these cases, Stahl discontinued the relationship with these suppliers.

At the end of 2022, Stahl implemented the Diligent Third-Party Risk Management Compliance system which is used to screen (and if necessary, perform a Due Diligence check on) its business partners, including customers. The selection of the business partners uses a risk-based approach. The Stahl Group Head of Tax & Compliance monitors the alerts received through this system and performs follow-up actions if necessary.

Compliance is regularly discussed internally during presentations given by among others the Stahl Group Head of Tax & Compliance to various business groups, in weekly newsletters (ethics quiz), during HR regional meetings and the Annual management conference.

Based on the feedback from the Extended Leadership Team through the 2022 Compliance questionnaire in January 2023, no major incidents regarding Stahl's Business Partners were reported in 2022 (with the exception of the above-mentioned Whistleblower reports).



g. External business rating on sustainability and ethics

Stahl does a sustainability performance check of its most important suppliers and suppliers in higher-risk countries through an EcoVadis-controlled self-assessment. The EcoVadis assessment is a thorough CSR assessment that covers Environment, Labor & Human Rights, Ethics and Sustainable Procurement and is a recognized standard in the chemical industry. The selection of the vendors is based on the top suppliers (strategic), spend and high-risk countries. It is noted that Stahl itself received the platinum medal status from EcoVadis in August 2022

As of the end of 2022, Stahl had 202 suppliers assessed by EcoVadis. This means that:

- 83% of Stahl's total direct purchasing spend (raw materials and packaging) and
- 55% of the total spend on logistics

is covered by EcoVadis Supplier Assessment ratings. In 2022 the Procurement Department started to check Indirect Vendors (8).

Stahl will request a number of high-risk vendors to complete a re-assessment in 2023 or may decide to do an on-site CSR audit. It is noted that for some Vendors it was the first time that they were assessed by EcoVadis and they needed support on how to complete the questionnaire. Vendors that chose not to participate in the EcoVadis assessment or where the assessment scores are lagging, could be phased out (depending on the follow-up actions which can be agreed with those vendors) or be audited by a third-party auditor when Stahl considers this supplier as critical for its operations. If CSR/Sustainability performances are still not satisfactory after audit and corrective action plan measures, Stahl will take the steps to (gradually) phase out such a vendor.

h. Modern Slavery

Modern slavery, or any form of forced or compulsory labour, is a violation of human rights. Stahl condemns modern slavery and child labour, and shall not participate in the trafficking, recruitment, or receipt of any persons, by means of threat or abuse of power. Stahl's Code of Conducts includes specific wording for both employees and business partners. Stahl publishes a statement on Modern Slavery on its website, which is updated yearly. This statement is approved by the Stahl Board of Directors and is based on section 54 of the UK Modern Slavery Act. Stahl's statement on Modern Slavery is available on the website (see <https://www.stahl.com/strategy/sustainable-development/policies-statements-reports>).

In 2022 Stahl did not have any incidents relating to modern slavery. To detect possible modern slavery incidents, Stahl performed interviews with 26 staff members and two distributors around the world. The Chief Operating Officer also raised this topic during his visits to the Stahl sites in the Netherlands, Spain, France, Italy, Germany, India, Singapore, Brazil, USA and Mexico. No modern slavery situations were observed during these visits, nor reported in the interviews. Stahl also benchmarked itself for salary with respect to modern slavery, and no signs of modern slavery or exploitation from low salaries were observed. In incidental cases, where the salary deviated materially from market reference, this was addressed and corrected. Stahl furthermore included a specific reference to compliance with the Modern Slavery Statement in the Stahl Parent BV Hiring & Onboarding Policy.

i. Diversity

Stahl's Diversity and Inclusion Policy, published on www.stahl.com, expresses the company's commitment to embedding equality, diversity and inclusion across the organization. Stahl's Diversity and Inclusion Policy applies to the whole company. Equal treatment is at the heart of the organization and Stahl believes this will produce a more innovative and responsive organization. Stahl also believes that there is much more to diversity than age, gender, race and cultural background. A diverse workplace includes people who can offer a range of different viewpoints and ideas. Consistent with its strategy of growing our leadership talent, diversity and inclusion principles are embedded within its core leadership development programs to encourage managers to demonstrate them as part of their leadership behaviour. Stahl also builds cultural intelligence and equality into its performance reviews, as well as its hiring and talent identification process.

In 2022, Stahl prioritized the strengthening of the Diversity Equity Inclusion (DEI) culture and governance. Stahl took steps to address key DEI issues, starting by defining and introducing local Diversity, Equity, and Inclusion plans in each of Stahl's legal entities worldwide. Stahl also appointed the global DEI Steering Committee and local DEI committees for each of the entities, which are responsible for implementing



company-wide DEI guidance, defining local DEI action plans, and providing local information on DEI to support Stahl's company-wide KPIs.

j. Compliance training

Stahl shares a dedicated e-learning course based on its corporate compliance policies with all employees through its Employee Engagement Platform (EEP) to further increase the awareness of the employees about compliance topics. The Employee Code of Conduct is also included in the onboarding system for new employees (done through the EEP). In 2022 all employees were obliged to do various compliance e-learning trainings, such as a training on Anti-Bribery and Anti-Corruption (97.50% completed), the Disciplinary Action Policy (99.39% completed), the Human rights policy (99.28% completed), the Nepotism & Conflict of Interest Policy (99.23% completed), the Fair Competition and Antitrust Policy (99.28% completed (done only by the relevant employees)), the Whistleblower Policy (98.29% completed) and the Employee Code of Conduct (99.17% completed) (percentages as of the beginning of December 2022). The completion of the trainings by the employees is monitored by HR and the Stahl Group Head of Tax & Compliance.

k. Privacy

Stahl is committed to complying with the applicable (local) privacy rules and to process the personal data collected during Stahl's business activities and other services from its employees, customers, vendors, website users and other stakeholders in a transparent, lawful, responsible and accurate manner for predetermined specific purposes, protected in an appropriate manner with technical and organizational measures and kept for no longer than strictly necessary. Reference is made to the Stahl Privacy statement which can be found on its website. Stahl has an Information Security Management System policy and Acceptable Use Policy in place for information security and a Privacy Code of Conduct for its employees. Stahl included a training about the Privacy Code of Conduct in the onboarding program and in 2023 Stahl will assign an e-learning training to refresh the privacy rules for the relevant employees. Stahl provides mandatory Information Security Awareness trainings on a quarterly basis and performs phishing testing on a monthly basis. In 2022 Stahl had no reportable data breaches. Stahl did not receive any complaints regarding the handling of privacy data by Stahl from external parties.

Frank Sonnemans
CFO and Compliance officer
Stahl Holdings BV



Annex 1 The United Nations Global Compact's Ten Principles

The UN Global Compact's Ten Principles are:

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

Labor

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.

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.

Anti-Corruption

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