

Stahl Compliance Report 2018

18 March 2019

Stahl Group is committed to the guiding principles of UN Global Compact, the world's largest corporate sustainability initiative. With this commitment Stahl Group confirms the alignment of its strategy and operations with the universal principles of human rights, labor, environment and anti-corruption. This also means that Stahl Group's activities are being aligned with the principles of UN Global Compact, the 17 Sustainable Development Goals (SDGs). Since 2018 Stahl is subject to a number of new French laws, among which Sapin II which was introduced to eradicate corruption. With regard to compliance, Stahl focuses on:

- a. Local law and regulations
- b. To be in compliance with sanctions and embargoes
- c. Safety, health and environment ("SHE") / IT security
- d. Code of Conduct / Whistleblower rules / Business Partner Due Diligence / Modern Slavery / Diversity
- e. Compliance training

a. Local laws and regulations

Stahl is compliant with the laws and regulations of the countries in which it operates. This responsibility lies with its local entities under supervision of the central legal department in the Netherlands. If necessary, local Stahl companies can hire external counsel to assist with topics such as employee dismissals, permits or tax compliance. Audits of the statutory reports are performed by auditors. The audit of the consolidated (IFRS) statutory report 2018 is done by PwC and is controlled by Stahl Headquarters in The Netherlands.

In 2018 no major issues came up from the legal and tax risk review performed which is likely to have a material effect on the business.

b. Sanctions and embargoes

Stahl is committed to compliance with the sanctions and embargoes implemented by local country laws and/or by the European Union, the United States and the United Nations. The responsibility to comply with these regulations lies with the local Stahl entities under supervision of the central legal department in the Netherlands.

The Stahl legal department has communicated guidelines to all regional general managers regarding the sanctions/embargoes that apply when doing direct or indirect business with customers in sensitive countries. These guidelines are distributed by the legal department every year. The existence of sanctions/embargoes is also discussed internally with the management team during the Quarterly Executive Control Group meetings.

Stahl employees are aware of sanctions and embargoes and they have contacted the legal department about possible sales to South Sudan, Syria, Palestine and Iran in the past. With regard to Iran it is noted that Stahl terminated its transactions relating to Iran due to the more strict US sanctions policy in 2018.

The Stahl Product Stewardship Department checks whether certain restrictions apply to products under the various sanctions and embargoes and whether a material qualifies as "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 CSD manager. In the case of export orders, the delivery block can only be lifted with the approval of the global legal and compliance officer, by e-mail.

c. SHE / IT security

Stahl strives to offer a safe working environment. Each employee must comply with the safety regulations applicable to his/her work place. Stahl applies a zero tolerance policy with regard to health, safety and environment.

Stahl is committed to local SHE regulations and with its own corporate safety policy outlined in the Stahl SHE manual. The responsibility to comply with the Stahl SHE manual, and with local SHE regulations lies with the local Stahl entities. The SHE manager, located at each Stahl site, is responsible for implementing the SHE policy. SHE compliance is reported monthly to Stahl headquarters and is consolidated into a global report which is distributed to the management, also monthly.

In pursuit of Stahl's business objectives, safety, health and environment have the highest priority. Stahl is aware that SHE needs constant attention and improvement. As per October 1, 2015, Stahl started globally a SHE awareness and safety campaign to step up our commitment to a safe work environment. This campaign ran for 2 years, and focused on a different safety topics every two months. In 2017 Stahl appointed a Global SHE & Process Safety Manager with the aim to standardise and implement the best practices with regard to safety and to continuously improve the SHE policy. In 2018, a safety culture program was introduced and has been rolled-out through all Stahl sites. Furthermore, the topic of SHE is discussed during every management meeting and board meeting.

It is noted that Stahl has no history of severe incidents and has a very good track record when it comes to safety. In 2018 no severe incidents with respect to Stahl employees were reported which resulted in incurable physical injuries.

To make employees aware of digital safety risks, Stahl Group also introduced a global internal IT Security campaign in 2017, which was followed by an IT security awareness training in 2018.

d. Code of Conduct / Whistleblower rules / Business Partner Due Diligence / Modern Slavery / Diversity

d.1 Code of Conduct / Whistleblower rules for employees

Stahl has a Code of Conduct and Whistleblower Rules which apply to all of its employees. These Code of Conduct and Whistleblower Rules are distributed through the local HR departments. Employees can also report any issues through whistleblower@stahl.com

Based upon the feedback received on the 2018 Code of Conduct compliance questionnaires which were sent out to the respective business directors, local regional managers and site managers in January 2019, the following incidents were reported for 2018:

- Stahl received a whistleblower letter, which was investigated with the help of third party investigator KPMG. Based upon the outcome of this report, we learned that 4 employees potentially accepted kick backs from suppliers and the employment agreements of those employees were terminated. Another case is still under investigation.
- The employment agreement with one employee was terminated due to a conflict of interest.

d.2 Code of Conduct for business partners / Business Partner Due Diligence procedure

Stahl is committed to the highest standards of social and environmental responsibility and ethical conduct. Stahl expects the same from its business partners. Stahl pays

close attention to the companies with whom we cooperate, such as agents, distributors and suppliers. Furthermore, Stahl requires its business partners to sign the "Business Partner Code of Conduct" or, if the business partner has its own similar Code of Conduct, to provide a copy of such Code of Conduct.

If Stahl discovers that the business partner does not comply with the Code of Conduct, Stahl can, if necessary, immediately discontinue the business relationship with that business partner. The Code of Conduct is regularly discussed during meetings with the respective business partners. Such discussions are written down in reports. Furthermore, the Code of Conduct is regularly discussed internally during presentations by the legal department in Quarterly Executive Control Group meetings, including at the January 2019 meeting.

Based upon the feedback received on the 2019 Code of Conduct compliance questionnaires which were sent out to the respective business directors, local regional managers and site managers in January 2019, with regard to the business partner Code of Conduct, no incidents were reported for 2018.

In September 2018 Stahl implemented a Business Partner Due Diligence procedure for business partners with regard to new purchases / purchase orders / agreements / contracts with an expected total yearly value of > EUR 100,000.-. With the Business Partner Due Diligence Procedure the compliance-relevant behavior and the integrity of the (potential) business partner of Stahl is monitored and this procedure will assist Stahl's employees in establishing and maintaining a commercial relationship with reliable and ethical business partners. Potential red flags in the due diligence process could result in a no-go decision with respect to the relevant agreement/contract etc.

d.3 Modern Slavery

Modern slavery, or any form of forced or compulsory labour, is a violation of human rights. Stahl takes a strong stance against modern slavery and works to ensure high labour rights standards. In 2017 we updated the Code of Conducts and included specific wording for both employees and business partners. Stahl publishes a statement on Modern Slavery on its website, which is yearly updated. This statement is approved by the board of directors and is made in relation to section 54 of the UK Modern Slavery Act. [Click here](#) to read the statement.

d.4 Diversity

In 2018 Stahl published its Diversity and Inclusion policy on its website ([click here](#) to read the policy) and is committed to embedding equality, diversity and inclusion across the organization. Equal treatment is at the heart of the organization

and we believe this will produce a more innovative and responsive organization. We also believe 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 Stahl's strategy of growing its leadership talent, Diversity and Inclusion principles are also embedded within the core leadership development programs to encourage managers to demonstrate them as part of their leadership behavior. Stahl will also build cultural intelligence and equality into the performance review, hiring and talent identification processes. The composition of the Stahl Board at the end of 2018 was two female and eight male members, from diverse backgrounds and age groups.

e. Compliance training

In order to increase further awareness within the Stahl organisation of its compliance responsibilities, Stahl developed an employee compliance training together with Thomson Reuters.

This training is developed and consists of the following parts:

- Anti-bribery & Anti-corruption training (e-learning)
- Modern slavery (e-learning)
- Workplace Diversity and Inclusion (e-learning)

1.200 employees completed the e-learning training courses with regard to Anti-bribery & Anti-corruption and Modern Slavery. The Workplace Diversity and Inclusion e-learning training was rolled out in the third quarter of 2018, and was completed by 1066 employees in 2018. It is expected that the remaining employees will finalize the training in 2019.

Stahl Holdings B.V.

Bram Drexhage

CFO and Compliance officer

Annex 1 – The UN 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

Labour

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 labour;

Principle 5: the effective abolition of child labour; 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.