

Stahl Compliance Report 2017

26 February 2018

Stahl conducts its business with the highest standards of integrity and ethical behavior. Stahl is also committed to the UN Global Compact's Ten Principles (see Annex 1) and is aligning itself to the 17 Sustainable Development Goals as established by the United Nations General Assembly in 2015. This means operating in ways that, at a minimum, meet fundamental responsibilities in the areas of human rights, labour, environment and anti-corruption. With regard to our approach 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 /
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 is done by PwC and is controlled by Stahl Headquarters in The Netherlands.

In 2017 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. As of 2015 Stahl began indirect exports to Iran as Deutsche Bank was willing to cooperate with regard to the payments. In this respect, we asked for all the necessary information to check the product, customer and end user. KPMG advised Stahl about possible export to Iran and Stahl also contacted the Dutch tax authorities. The sanctions on Iran were partly lifted as from January 16, 2016 but at the end of 2017 Deutsche Bank informed us that they could not facilitate transactions with Iran anymore due to a change in its internal policy. After completing an approval procedure, Rabobank informed us in February 2018 that it is willing to facilitate payments relating to transactions with Iran. For every transaction Stahl will inform Rabobank. No transaction will take place until Rabobank approves the transaction.

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 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 2018, a new global SHE campaign will be introduced. 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 2017 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 will be followed by an IT security awareness training in 2018.

d. Code of Conduct / Whistleblower rules / 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.

Based upon the feedback received on the 2017 Code of Conduct compliance questionnaires which were sent out to the respective business directors, local regional managers and site managers in January 2018, one incident was reported for 2017:

- one case of workplace bullying was reported in 2017. After an investigation, meetings took place with the persons involved during which the Employee Code of Conduct was thoroughly discussed and during which Stahl's policy on bullying was made very clear.

d.2 Code of Conduct for business partners

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 2018 meeting.

Based upon the feedback received on the 2017 Code of Conduct compliance questionnaires which were sent out to the respective business directors, local regional managers and site managers in January 2018, with regard to the business partner Code of Conduct, no incidents were reported for 2017.

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 published a statement on modern slavery on its website in 2017. This statement was 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

Stahl communicated its policy on diversity in 2018 ([click here](#) to read the policy). It 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. The composition of the Stahl Board at the end of 2017 was two female and eight male members, from diverse backgrounds and age groups. Diversity and Inclusion principles are embedded within our core leadership development programmes to encourage managers to demonstrate them as part of their leadership behaviour. We will also build cultural intelligence and equality into our performance review, hiring and talent identification processes.

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)
- Diversity

1.200 employees were targeted for this e-learning training, which will be completed in the first quarter of 2018. In the second quarter of 2018 another e-learning training will be rolled out about Stahl's Diversity and Inclusion policy.

Stahl Holdings BV

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.