

**2012**

**CORPORATE SOCIAL RESPONSIBILITY  
REPORT**

**STAHL HOLDINGS BV**

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# INTRODUCTION

## ABOUT STAHL

Stahl is the leading leather and performance coatings creator.

Stahl is a customer-focused company that specialises in providing high quality chemicals, dyes and coatings for leather, as well as flexible and non-flexible substrates for performance coatings, textiles and related products. Our products are applied in automotive, upholstery and fashion products, as well as in industrial applications. Stahl's products have been well-recognised internationally for many decades already and enjoy an excellent reputation for quality. We take pride in providing a high level of technical service to our customers.

### **Ambition**

Our objective is to achieve the highest customer service level through on-time delivery of innovative quality products and processes while operating safely and in harmony with the environment.

### **Expertise and proximity**

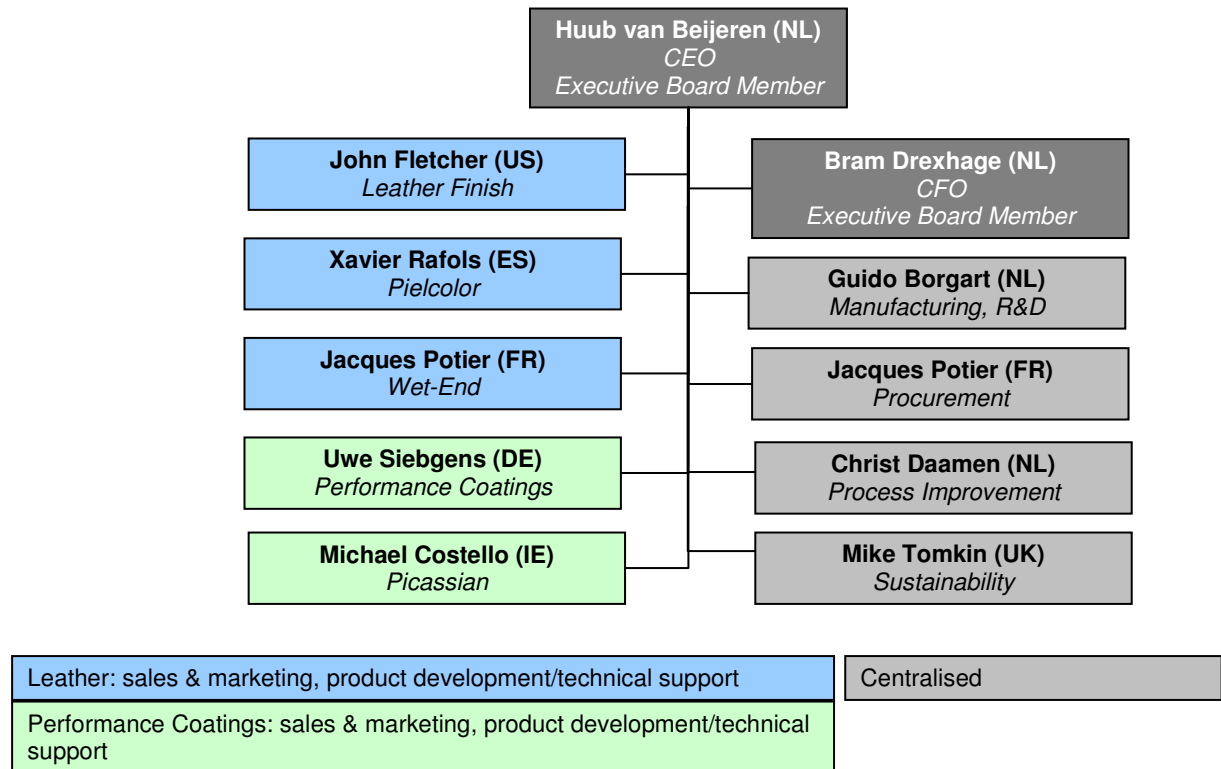
Today, Stahl operates 8 manufacturing sites and some 30 strategically located technical service laboratory facilities world-wide and employs some 1,250 people in more than 28 countries many of whom are engaged in basic research and development of new products and processes. More than one quarter of them are dedicated technical experts based at application laboratories offering top-level local custom-made service wherever our customers are located throughout the world.

### **Research**

At Stahl, we strongly believe that research is a sound base for the future. This is why we invest more in R&D than any other company in our industry.

Stahl's success in adapting product mix to the changing customers' needs and market dynamics is largely attributable to the innovativeness of its product and application development teams. Stahl is committed to invest in products, services and business development to meet the needs of customers and ensure a strong local presence in each market. Research and product application are customer oriented with high technology equipment, simulating production conditions.

## Stahl Organisation



### Wet-End Division (Leather)

In our Wet-End Division the latest technologies from rawhide treatment to crust are all available. Dedicated experts make sure customers have exactly the products they need all along the way of leather manufacturing. And on top they will get all our knowledge: recipes, application tips, problem solvers, emergency teams, etc.

Stahl experts are always ready to assist customers in achieving exactly the leather needed for each possible application. Whether it is for automotive leather, shoe upper, garment or upholstery....., we have the know-how and are there for you.

### Leather Finish Division (Leather)

Stahl is the world's leading company in the treatment of leather and related products with nearly a century of experience in leather applications. Leather finishes add value to customers' leather by their technical and aesthetic superiority and by tailor making leather finishing processes. At Stahl, the world's best leather technicians work side-by-side with leading fashion experts to develop leather articles of superior quality and design, much appreciated by leading fashion and interior design brands worldwide.

### *Product range*

With a wide product portfolio of finishing products, we ensure that all types of crust will be transformed into high-performance desirable leather for upholstery, shoe, garment and leather goods. Our product range covers:

- Impregnation systems (aqueous and solvent borne) for filling and to strengthen the crust
- Fillers (water and solvent based) to improve uniformity, adjust gloss, give oil and wax pull up effect, as well to adjust the feel.
- Auxiliaries to optimise the performance of the finishing systems such as foaming, water repellence, spotting resistance, finish penetration and special effects.
- Finishes ready for use or only require addition of water.
- Modifiers (water and solvent based) offer improved surface handling, special tactile fashion effect and improve the physical performance of the leather.
- Dullers, added to a basecoat and/or topcoat, adjust the gloss, feel and appearance of the leather and give special fashion effects.
- Topcoats (aqueous and solvent based) to meet the required fashion effects and specific physical performance requirements by the most demanding markets. Our topcoats can impart a specific colour, shade, cover and minimise defects and give metal effects.
- Pigments (aqueous and solvent based) either containing protein for shoe upper leathers or protein free for soft nappas and garment leathers as well as for upholstery.
- Dyes (metal-complex) to shade undyed crust, increase anility and create fashion effects.
- A comprehensive range of aftercare and repair products for automotive, shoe, garment, leather goods and upholstered furniture.
- Sole finish products (edge ink) for shoe manufacturers.

### *Fashion*

Stahl's Global Design Team develops two fashion and colour collections per year, based on the latest trends and forecasts from the world's leading fashion experts. The most recent trends and developments in interior design are also taken into account and our collection contains a wide selection of solutions for upholstery leather.

### **Automotive Leather Chemicals (Leather)**

With nearly a century of experience, Stahl is the world's leading company in the treatment of leather and related products. The world's best leather technicians work side-by-side with leading fashion experts to develop products that are of superior quality and design and are much appreciated by leading fashion and automotive brands worldwide.

For decades Stahl has been cooperating in strategic development programmes at many of the major OEMs, as well as tier 1 and tier 2 suppliers. As a result, Stahl offers the unique skills set that will allow bringing more harmony and balance in both the performance and the aesthetic requirements for coatings and finishes used throughout the auto interior.

Stahl is the market leader for both finishes and leather processing (Wet-End) for automotive leather. We are supplying virtually all automotive leather manufacturers worldwide. Stahl's market leader position means that we are very close not only to our customers, but also to the OEMs.

In close co-operation with our customers our automotive specialised leather technicians develop custom made leather tanning, colouring systems and finishes. The combined expertise in application and formulation technologies provides a balanced fundament for the creation of a wide range of customized leather finishes that cover a broad spectrum of touch, aesthetics and durability, versatile enough to allow the various OEMs present in the luxury car market to create a 'personalized' interior car impression.

### *Performance Leathers*

Stahl presents an extensive range of products to help customers create the ultimate luxury experience for their clients. When choosing Stahl products for performance leathers, one is guaranteed of state-of-the-art technical solutions, especially developed to help fulfilling clients' demands. Applications are for automotive aftermarket, aviation, railway and coaches, maritime, public areas, medical and wellness, and outdoor seating.

Performance leather characteristics:

- resistant to exterior soiling, tailor-made to meet specific requirements
- very easy to clean
- excellent abrasion resistance
- low-flammability

Performance leather solutions from Stahl not only protect the surface of the leather, but the entire hide, thus providing you with a sustainable and high-endurance solution. Stahl quality is unprecedented in the industry.

### **PielColor**

PielColor is the second brand in the Stahl brand family, providing leather finish products. PielColor has a strong presence in the Spanish, South American and Chinese market.

### **Performance Coatings**

Performance Coatings is a fully integrated business unit within Stahl, focused on special top coats and finishes for flexible and non-flexible substrates. We develop custom-made coating solutions, finishing and upgrading for virtually any type of synthetic surface, both flexible and rigid.

The range of coatings covers many different areas of application:

- Automotive
- Performance Synthetics
- Flooring
- Textiles
- Special Products for technical solutions
- Special Films & Paper

Performance Coatings offers a wide range of water based and solvent based products under the trade names PERMUTHANE®, PERMUTEX® and PERMAQURE®. Product development is driven towards zero-VOC products and includes an ever increasing range of water-based solutions, whereby quality of the products is paramount.

### **Picassian Polymers**

Picassian Polymers uses Stahl's products and raw materials to supply solutions to formulators that operate in the same field as Stahl, both for synthetic as for leather solutions.

## **CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY**

### **Responsibility**

At Stahl we strongly believe in taking responsibility. Being the market leader brings an obligation to act responsibly and secure a sustainable future so that we can keep providing the best quality to our customers, our shareholders and to do so without wasting the planet's natural resources.

### **Corporate policy**

An organisation's performance in relation to the society in which it operates and its impact on the environment has become a critical part of measuring its overall performance and its ability to continue operating effectively. This is, in part, a reflection of the growing recognition of the need to ensure healthy ecosystems, social equity and good organisational governance. In the long run, all organisations' activities depend on the health of the world's ecosystems. Organisations are subject to greater scrutiny by their stakeholders.

Therefore, we are convinced that only a commitment from the highest level, ensuring that CSR (Corporate Social Responsibility) is embedded in our daily business and operations, guarantees that we actually can make a difference.

## **What has been done already?**

Over the years Stahl has implemented many good initiatives without labelling them as CSR actions. All production sites are compliant with ISO 9001 and/or ISO 14001, the environmental management policy, and all strive for continuous improvement in both environmental and safety performance. This is audited annually.

Furthermore, dedicated staff in R & D is working on development of (substitute) products that are less invasive than traditional solutions.

## **Environment**

Many Stahl leather finishes and systems are now water-based and all are designed to protect the environment as well as the health and safety of users. Our dedicated staff in R&D develops more eco-based substitute components without compromising on the quality of the final product.

Stahl strives for close interaction with the global fashion and automotive brands to tackle the challenges that lie ahead with respect to the environmental aspect of their business. Stahl works very closely with its customers and brands to constantly improve the environmental impact of their operations and products. An example is the successful launch of a product for the automotive industry that meets the demands for weight reduction of the products applied in the vehicle, but without compromising on quality and durability. This new technology is now rolled out into other market segments, such as fashion and sports.

On another level, Stahl has dedicated staff in the R&D department to constantly look for substitute ingredients that have a lower impact but still ensure the high quality level we strive for.

## **Quality & Safety**

Stahl believes that consideration of the impact of its business activities on the Safety, Health and Environment of its customers, employees, agents and the public at large is an integral essential part of conducting business, and is committed to achievement of high standards in this area as outlined in the SHE policy.

## **SHE Policy**

In pursuit of its business objectives, it is Stahl's SHE policy to manage its activities to give benefit to society and adhering to the SHE Value:

We will not hurt anyone, annoy or alarm our neighbours or harm the environment. In order to ensure this policy becomes an integral part of its operations and provide a basis for a culture of positive SHE behaviour Stahl:

- gives safety, health and environment the first priority
- obeys all laws and is a responsible corporate citizen
- identifies hazards and establishes appropriate controls for risks, potential adverse environmental impacts and regulatory requirements in the invention, manufacture, sale and use of its products
- provides customer care with all products throughout the supply chain
- has established the goal to eliminate all injuries, occupational illnesses and environmental incidents
- reports and investigates all incidents, then takes corrective action and shares learning
- assures that employees and agents have appropriate competence for their roles
- defines SHE requirements in simple, clear terms, communicates them to all employees and secures their involvement
- reports, monitors and audits all aspects of SHE performance to confirm compliance and planned continual improvement
- celebrates and rewards excellence in SHE Performance
- requires all employees to accept personal responsibility for their own safety and health and that of their colleagues.

## **Stahl's vision on the future of leather**

Leather has been used since man walks the earth. Hides from hunted animals or slaughtered cattle were used for clothing and housing to protect from the harsh climate. Since then leather has developed into an article that is used all over the globe and increased technology and welfare has made it a product that is sought after.

It is our strong belief that in future leather will remain a highly desired product, despite alternative developments. Leather is natural; it is a waste product from slaughtering cattle for meat consumption. There is a strong development in increased respect for animal, workers and environment on the side of the industry, the leading fashion brands and the consumer. Stahl is convinced that this is the way to go forward to create a sustainable business with this natural product.

Hides from slaughterhouses are a worldwide trading business and many companies in the industry have developed into global operations during the last few decades. With current hide prices at an all time high, there is an increased attention to the quality of the leather and finding methods to using the leather to its full potential. Stahl has recently developed a broad range of upgrading products that help tanners achieve higher yields from their batches of hides, so they can protect their margins price.

## **UNITED NATIONS GLOBAL COMPACT**

The United Nations Global Compact is a call to companies everywhere to voluntarily align their operations and strategies with ten universally- accepted principles in the areas of human rights, labour, environment and anti-corruption, and to take action in support of UN goals, including the Millennium Development Goals. The UN Global Compact is a leadership platform for the development, implementation, and disclosure of responsible corporate policies and practices. Launched in 2000, it is largest corporate responsibility initiative in the world, with over 10,000 signatories based in 140 countries. For more information: [www.unglobalcompact.org](http://www.unglobalcompact.org).

### **Commitment to UN Global Compact**

Stahl commits to the guiding principles of UN Global Compact as from 1<sup>st</sup> January 2012. With this commitment we take a standpoint that we will live up to these ten principles and that we will develop a programme to improve our performance on either of these principles, if required. We will define goals and an implementation plan so reduce our impact on the planet or to improve the circumstances for those in our sphere of influence. On a yearly basis we will report on our progress.

# STATEMENT OF CONTINUED SUPPORT

Waalwijk, 8<sup>th</sup> February 2013

To our stakeholders,

I am pleased to confirm that Stahl Holdings BV reaffirms its support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anti-Corruption.

In this annual Communication of Progress, we describe our actions to continually improve the integration of the Global Compact and its principles into our business strategy, culture and daily operations. We also commit to share this information with our stakeholders using our primary channels of communication.

Sincerely yours,

A handwritten signature in purple ink, appearing to read 'Huub van Beijeren', with a long horizontal stroke extending to the right.

Huub van Beijeren  
Chief Executive Officer  
Stahl Holdings BV

# REPORT 2012

This report is written with the Ten Principles of United Nations Global Compact as focal point. The reported results and achievements are categorized according to these principles.

## 1. HUMAN RIGHTS

*UN Global Compact Principles:*

1. Support and respect the protection of internationally proclaimed human rights
2. Ensure not to be complicit in human rights abuses

### **Assessment, policies and goals**

Stahl is a multinational company producing chemicals for the leather industry and other specialty chemicals for flexible applications.

We have a profound knowledge of human rights, labour conditions, gender, health and safety, land rights, indigenous people and community rights, socio-cultural conditions and developments. The different aspects of human rights are fully integrated into our daily work. With a presence in more than 25 countries worldwide, Stahl is in touch with many different cultures through both its customers and its employees. Also in more sensitive regions, Stahl maintains its policy of not being complicit in human rights abuses.

Stahl respects the Universal Declaration of Human Rights (UDHR) across her activities and through the relationships with our business partners and stakeholders associated with those activities.

The respect for human rights is integrated in both the internal and external operations of the organisation. Until now this has not been formalised in policies.

### **Implementation**

Stahl respects and protects human rights in its daily operations. It is recognised that this responsibility extends beyond the organisation's own activities and includes relationships with business partners, suppliers and other non-state and state entities that are associated with Stahl's activities. Currently there are no formal policies in place, but a code of conduct is being developed and will be finalised in 2013.

## **Measurement of outcomes**

Stahl has not received any complaints from employees, business partners or clients in relation to (potential) human rights violations, nor was the organisation involved in any human rights incidents before or during the reporting period.

Furthermore, Stahl publically embraces the United Nations Global Compact Principles in respect to human rights.

Because of the scope of Stahl's activities, which comprises production and commercial activities, an external audit on human rights performance is not required.

## **2. LABOUR**

*UN Global Compact Principles:*

1. Uphold the freedom of association and the effective recognition of the right to collective bargaining
2. Elimination of all forms of forced and compulsory labour
3. Effective abolition of child labour
4. Elimination of discrimination in respect of employment and occupation

### **Assessment, policies and goals**

Stahl reports yearly to its shareholder Wendel Investissement on Human Resource policies, which are published in Wendel's annual report. In this report all required labour rights, including non-discrimination and equal opportunities, the freedom of association and right to collective bargaining, workplace health and safety, as well as conditions of employment and work (wages, working hours, leave, benefits, etc.)

Stahl is in full compliance with local legislation for all its employees and expresses its dedication to being an equal opportunity employer. This is among others expressed in the Stahl workforce, which comprises of more than 25 nationalities. A large part of the Stahl workforce experiences international placement or secondment in some part of their career.

Stahl uses the most appropriate human resources tools to support its businesses and objectives. All of Stahl's plants or sites are small or medium-sized, and to respond to the high level of service required in the industry, the company is very close to its customers. In this context, Stahl has a healthy labor environment. Employees have access to all the support and training their positions require. In addition, Stahl uses performance appraisal as a way to help employees achieve personal development and business objectives. The common bonus system, especially for the sales staff, is designed to focus on growth and quality of service. The local Management and HR organizations keep good information on the local market trends and the corporate HR function is constantly updated. Such that local compensation policies respect the Group values and are competitive and respectful with local regulations and practice. Although Stahl –overall- is not a large company, the way it is spread in four continents, adds a complexity that needs to be coordinated and lead properly.

With respect to health and safety Stahl as a chemical supplier has strict policies in place to ensure the responsibility both towards its employees and the local communities in which it operates manufacturer. Stahl operates in full compliance with all local legislation and often considers these guidelines as a minimum requirement.

All relevant Stahl staff has regular mandatory safety training.

## **Implementation**

In its pledge to United Nations Global Compact a number of KPI's were defined to further structure Stahl's approach to the labour principles:

1. A statement that Stahl acknowledges and respect human rights in our daily operations in all our locations worldwide.
2. Stahl places no restrictions to its employees in the field of collective bargaining
3. Stahl will ask for declarations from its suppliers globally that they do not solicit in force and compulsory labour and/or child labour.
4. Stahl's statement: Stahl is and remains an equal opportunity employer in all the locations worldwide.
5. Stahl will develop a corporate code of conduct in which the principles on human rights, labour and anti-corruption are addressed.

Furthermore, through the legal requirements for the Wendel Group (law: Grenelle II, France) there are clearly defined topics on which a statement from Stahl is required.

## Measurement of outcomes

As of 2012 a set-up for a yearly report will be implemented. Currently not all data are available, but will be made available in future reports.

<b>Headcount reporting</b>	<b>Available Y/N</b>
Total headcount/per region	Yes, see below
Male / female ratio, total and per region	Yes, see below
Male / female management ratio, total and per region	No
Ratio temporary and fixed contract, total and per region	Yes, see below
Disabled, % total and per region	No
Sickness rate, % total and per region	Yes for total see below, no regional
Turnover staff, total and per region	Yes, see below
Turnover critical staff, total (mainly global roles)	Yes, see below
Turnover management, total	No
Formal complaints on discrimination and/or harassment: total number and established as justified	Yes, no complaints.

*Stahl Group total headcount and per region:*

<b>FTE's</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Europe	482	479	449
Asia-Pacific	276	273	270
India and Pakistan	180	171	158
North and South America	299	310	313
Total	1.237	1.233	1.190

*Stahl Group HR statistics 2012:*

					<b>Turnover Staff</b>	<b>Turnover Critical Staff</b>	<b>Sickness rate</b>
	<b>Male</b>	<b>Female</b>	<b>Fixed contract</b>	<b>Temporary contract</b>			
Europe	77.6 %	22.4 %	476	6	7.3 %	-	-
Asia-Pacific	73.4 %	26.6 %	272	4	19 %	-	-
India and Pakistan	94.6 %	5.2 %	180	0		-	-
North and South America						-	-
America	75.8 %	24.2 %	194	5			
Stahl Group total	80 %	20 %	1.122	15	11.9 %	1.5 %	1.9 %

*Discrimination and harassment complaints*

Stahl did not receive any complaints of discrimination, harassment.

### *Employees*

Stahl acknowledges and respect human rights in our daily operations in all our locations worldwide: this has not been officially stated, but in practice is part of business operations and will be made more public in our communications on our website.

Stahl places no restrictions to its employees in the field of collective bargaining; Stahl fully operates in compliance with local legislation and adheres to local practise.

### *Responsible sourcing*

Stahl will ask for declarations from its suppliers globally that they do not solicit in force and compulsory labour and/or child labour; as Stahl operates in more than 25 countries and sources on a global scale as well, this is a complicated process. Preparations have started and in 2013 a survey among a large section of the suppliers worldwide will be carried out.

### *Equal opportunity employer*

Stahl's statement: Stahl is and remains an equal opportunity employer in all the locations worldwide: this is a public statement. Stahl's website clearly mentions this.

### *Code of conduct*

Stahl will develop a corporate code of conduct in which the principles on human rights, labour and anti-corruption are addressed. This code of conduct is near completion and will be made available in 2013.

### *Health and Safety*

All worker health and safety practices and procedures are in compliance with local legislation and practices. Our manual on safety, health and environment (SHE Manual) has recently been completely reviewed and made available in different languages to all staff concerned. Stahl's manual and its guidelines are very strict and must be and are adhered to by all staff at all levels. Stahl management is evaluated regularly on correct implementation.

Part of the Stahl policy to ensure health and safety to the workforce and local communities is a yearly report on work incidents, their frequency and seriousness and work-related illnesses.

### *Incident report 2012:*

<b>INCIDENT</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Reportable Injuries	3	6	8
Serious Injuries	4	2	6
Minor Injuries	14	15	12
Motor Vehicle Incidents	9	12	12
Forklift Truck Incidents	27	49	35
Reportable Accident Rate (%)	0,12	0,24	0,35
Serious Accident Rate (%)	0,16	0,08	0,26
Minor Accident Rate (%)	0,55	0,61	0,53
Contractor Reportable	2	1	1
Contractor Serious	0	0	3
No. of Employees	1.237	1.233	1.190
Total Man-hours	2.549.336	2.453.589	2.285.769
Total Production (metric Tonnes)	117.491	108.345	111.538

## **3. ENVIRONMENT**

UN Global Compact Principles:

1. Support a precautionary approach to environmental challenges
2. Undertake initiatives to promote a greater environmental responsibility
3. Encourage the development and diffusion of environmentally friendly technologies

### **Assessment, policies and goals**

For a multinational chemicals producer like Stahl the environment is the main of the four focal areas of Stahl's commitment to United Global Compact, as this is the area we can influence the most and feel we can make the biggest contributions.

As a global market leader in a niche market (leather chemicals), Stahl sees it as its obligation to take a leading role within the industry to contribute to higher environmental standards within the industry.

In 2010 already the decision was taken internally to establish a better positioning of the environmental chapter in the Stahl Group and not only consider it a production issue. During 2011 a positioning and strategy was defined, in which Stahl expressed its dedication to not only the environment, but to work towards a more sustainable company and future as a whole. Not only production, but also commercial, financial and HR related issues would be addressed. To emphasize the importance of the strategy and policy for Stahl it was decided to join United Nations Global Compact as it was seen as a natural fit to publically acknowledge the internally defined strategy. In 2012 this membership was effectuated. Furthermore, a Director of Sustainability was appointed in the Management Team of Stahl to embed sustainability as an integral part of the business operations and ensure commercial commitment and push development and sales of more sustainable products.

For 2012 and beyond a number of clearly defined targets were set alongside which the engagement to United Nations Global Compact would be measured.

In environmental management, Stahl has outlined clear reporting criteria in order to determine how to reduce the negative impacts of our organisations' actions on the environment. Here, the conservation of natural resources, emission of pollutants, environmental hazards and the conditions of a safe working environment are being described. The aim of the environmental management strategy is to continuously improve the environmental performance of the organisation. This reporting system is the outcome of the daily practice of consistent operations in line with strict safety, health and environmental guidelines. It is fully integrated in the organizational structure and part of our planning of activities and official annual reporting cycle. It is central to the processes and resources used within the organisation as well as in the development, implementation and review of our environmental policy.

## **Implementation**

For 2012 and beyond a number of clearly defined targets were defined on environment:

### *United Nations Global Compact Principles*

1. Support a precautionary approach to environmental challenges;
2. Undertake initiatives to promote greater environmental responsibility;
3. Encourage the development and diffusion of environmentally friendly technologies.

As these 3 principles are intertwined, Stahl makes no distinction between them.

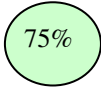







The following targets were defined:



<b>Actions</b>	<b>Deadline</b>
A continued commitment into the development of product lines of finished product, research for alternative ingredients and raw materials that underline a continued commitment into green chemistry and friendlier components.	continuous
Continue the development of more water-based products, taking the strictest guidelines as standard and develop alternative products.	Continuous
Commit to all local legislation as a minimum requirement to safeguard responsibility in the local community	2012 and beyond
Advice and support to customers in the use and disposal of our products.	2012 and beyond
Set up a global plan of global engineering to reach the most efficient, sustainable and cost-effective program for our production locations. First step is to perform energy audits and decide per location on the next steps per location about replacement/extension. 2012-2013. Implement a carbon footprint measurement for all 8 production locations and report quarterly.	End 2012
Study the possibilities for switching to green electricity and gas under the condition that this would be cost-neutral.	Jan 2013
Implement a yearly internal awareness campaign on waste, recycling and energy saving.	2012 and beyond
Identify waste reduction programmes per location, by: 2012.	2012
Packaging: investigation into recycling, re-using.	2013
Suppliers: preferred supplier ship for the greenest supplier?	2013

<b>Operational Production Report 2012 onwards</b>
<b>Safety statistics</b> Incidents (number of unplanned releases per year): <ul style="list-style-type: none"> <li>• On-site (Cat A)</li> <li>• Off-site but no damage or complaint (Cat B)</li> <li>• Public concern, complaint or damage (Cat C)</li> </ul> Incidents (Number per year): <ul style="list-style-type: none"> <li>• Members of public justified (Cat I)</li> <li>• Unjustified (Cat II)</li> <li>• Formal written complaint from authorities (Cat III)</li> <li>• (Includes prosecutions and fines)</li> </ul>
<b>Environmental</b> <ul style="list-style-type: none"> <li>• ECO effectiveness: <ul style="list-style-type: none"> <li>– Investments</li> <li>– Research and development initiatives</li> </ul> </li> <li>• Energy usages</li> <li>• CO2 reduction programme</li> <li>• Water consumption</li> <li>• Waste reduction: <ul style="list-style-type: none"> <li>– Hazardous Waste (tonnes)</li> <li>– Non-hazardous waste (tonnes)</li> <li>– Total Waste Generated (tonnes)</li> <li>– Total Production FG (te)</li> <li>– Ratio Total Waste (kg) / Production (te)</li> </ul> </li> </ul>
<b>Other</b> <ul style="list-style-type: none"> <li>• Compliance with Reach</li> <li>• Audits to confirm the above compliance (frequency/outcome/ last date)</li> </ul>

## Measurement of outcomes

The outcomes of the defined targets are measured at regular intervals and reported on a yearly basis, together with the annual reporting of the operational outcomes on health, safety and environment.

Actions	Deadline	Status	Remarks
New Product Development: A continued commitment into the development of product lines of finished product, research for alternative ingredients and raw materials that underline a continued commitment into green chemistry and friendlier components.	Continuous	ongoing 	A 'green' version of Polymatte was ready for launch by November 2012, containing 20 % renewable ingredients. However, a change in legislation on substances led to a delay as alternative ingredients needed to be tested. Stahlite was introduced; a technology resulting in 30 % weight reduction of the leather, shorter production times and fewer chemicals used.
Current Product Portfolio: Continue the development of more water-based products, taking the strictest guidelines as standard and develop alternative products.	Continuous	Ongoing 	NMP and NEP containing products are removed from portfolio.
Commit to all local legislation as a minimum requirement to safeguard responsibility in the local community	2012 and beyond	Ongoing 	Done.
Advice and support to customers in the use and disposal of our products.	2012 and beyond	Ongoing 	MSDS and TDS: systems are updated real-time. Contacts with customers are frequent. Stahl is connected with UNIDO to advise on the Bangladesh leather industry.
Global Engineering Plan to reach the most efficient, sustainable and cost-effective program for our production locations. First step is to perform energy audits and decide per location on the next steps per location about replacement/extension. 2012-2013. Implement a carbon footprint measurement for all 8 production locations and report annually.	End 2012	Completed 	Global Engineering plan finalised. CO2-footprint report done, see operational production 2012 report below.
Study the possibilities for switching to green electricity and gas.	Jan 2013	Postponed 	Contracts had just been renewed; no action taken. Move to 2013.
Implement an internal awareness campaign on waste, recycling and energy saving.	2012 and beyond	Completed 	Started, further out roll 2013.
Identify waste reduction programmes per location.	2012	Completed 	Ready, see below.

Actions	Deadline	Status	Remarks
Packaging: investigation into recycling, re-using.	2013	Ongoing 	Proposal for 2013 targets. Ideas are to discuss with suppliers on their progress and options. 70 % of IBC containers in Europe are recycled by collecting them from customers for re-use. No such facilities exist in other countries.
Suppliers: preferred supplier ship for the greenest supplier?	2013	Postponed 	No developments in 2012, idea is to discuss with 25 of our major suppliers options for more sustainable solutions. Proposal for 2013 targets.

### *Operational report 2012*

Environmental
<ul style="list-style-type: none"> <li>▪ ECO effectiveness: <ul style="list-style-type: none"> <li>○ Investments</li> <li>○ Research and development initiatives</li> </ul> </li> <li>▪ Energy usages</li> <li>▪ CO2 reduction programme</li> <li>▪ Water consumption</li> <li>▪ Waste reduction: <ul style="list-style-type: none"> <li>○ Hazardous Waste (tonnes)</li> <li>○ Non-hazardous waste (tonnes)</li> <li>○ Total Waste Generated (tonnes)</li> <li>○ Total Production FG (te)</li> <li>○ Ratio Total Waste (kg) / Production (te)</li> </ul> </li> </ul>

### *ECO effectiveness*

Initiatives over € 4.0 million to reduce emissions in air, water and soil were completed:

Building of an oxidizer in Parets, Spain to reduce the emission of monomers, VOCs etc. into the atmosphere.

Also in Parets, Spain a new steam boiler will be built; resulting is lower emissions and higher energy efficiency.

A new effluent treatment plant in Portão, Brasil, to improve the quality of the effluent (waste water stream).

A new central drumming station in Waalwijk Netherlands. All lines/pipes contain a pigable system, resulting in less material losses and consequently less solid waste and water consumption.

## Energy usages 2012

Region	Utility Units	Electricity (MWh)	Gas (Nm3)	Oil (Tonne)	Steam (Tonne)
<b>Stahl:</b>					
Asia-Pacific		2.306	-	109	-
Brazil		2	-	126	-
China		1.932	30.043	4	2.208
Europe excl.					
Spain/Italy		4.767	732.990	-	1.555
Italy		258	65.838	-	-
Spain		4.887	966.720	42	10.451
India incl Pakistan		523	1	155	-
Mexico		2.197	4	183	-
USA		1.146	14.744	257	-
<b>Pielcolor:</b>					
	Asia	96	-	-	-
	Europe	-	-	-	-
	Uruguay	162	-	2	-
<b>Total 2012</b>		18.276	1.810.340	877	14.214
Total 2011		21.395	1.547.758	4.880	346.721
Total 2010		21.989	1.527.194	5.538	373.476

Since 2012 we have audit reports available from the energy audits performed during 2011. The outcomes are studied and recommendations will be implemented, provided they are valuable and effective. In the decision making process for investments the more efficient and energy friendlier solution is always taken into account.

We implemented a programme “Smart Engineering”, that encompasses integrating equipment and processes and closer co-operation with our customers, suppliers and universities.

Through internal channels we will implement an awareness campaign to responsibly use energy.

## CO<sub>2</sub> Footprint 2012

Activity	Unit	Quantity	Emission factor	Total kg CO <sub>2</sub> -eq.
<b><u>Scope 1.1 Company cars</u></b>				
Gasoline use - liter	Liter	132.762	2,780	369.077
Diesel use - liter	Liter	32.118	3,135	100.689
LPG use - liter	Liter	0	0,000	0
<b><u>Scope 1.2 Other company vehicles</u></b>				
Gasoline use - liter	Liter	514.247	2,780	1.429.607
Diesel use - liter	Liter	76.204	3,135	238.899
LPG use - liter	Liter	24.782	1,860	46.094
<b><u>Scope 1.3 On-site gas use</u></b>				
Natural gas use in m3	m3	1.930.657	1,825	3.523.449
<b><u>Scope 1.4 Emissions production process</u></b>				
Product portfolio generating CO <sub>2</sub>	kg	506.729	1,209	15.568
Diesel used in Forklifts	Liter	22.200	3,135	69.597
Fuel Oil used in Production Boilers	Liter	84.000	3,135	263.340
Electricity use in kWh	kWh	19.533.609	0,437	8.537.210
<b><u>Scope 2.6 Imported steam</u></b>				
Imported steam generated by gas-fired CHP	GJ	8.104	70,300	569.705
<b><u>Scope 3.7 Business travel - flights</u></b>				
Leg distance < 700km	km	58.373	0,270	15.761
Leg distance 700-2500 km	km	3.283.640	0,200	656.728
Leg distance > 2500km	km	10.940.129	0,135	1.476.917
<b><u>Scope 3.8 Business travel - private cars</u></b>				
Gasoline use - kilometer	km	916.420	0,215	197.030
Diesel use - kilometer	km	971.732	0,205	199.205
LPG use - kilometer	km	0	0,000	0
Fuel type unknown - kilometer	km	0	0,000	0
<b>total</b>				<b>17.708.877</b>

*Water consumption development 2009-2012:*

	<b>Water Consumption (m3)</b>			
	2009	2010	2011	2012
Iberica	37.396	32.786	43.000	41.163
USA	6.797	2.099	22	3.709
Brasil	18.882	20.536	19.222	17.069
Waalwijk	19.647	24.924	23.334	24.570
Mexico	21.901	23.256	22.604	24.496
Colombia	864	780	822	490
Shanghai/GTZ	441	629	346	347
Suzhou	53.830	36.423	38.910	40.760
Italy	441	441	1.565	1.699
Asia	22.417	27.004	27.506	27.937
Pakistan	2.291	2.291	376	1.626
India	11.939	13.954	15.547	15.986
PCGZ	441	629	535	504
PC Uruguay	1.186	386	800	1.231
Turkey			450	564
Total Water Consumed (m3)	198.473	186.138	195.039	202.151
Total Production FG (te)	95.752	111.538	108.345	117.491
Ratio Water/Production (m3/te)	2,1	1,7	1,8	1,7

Most of the water is used as process water and for cleaning purposes (tanks, vessels etc.). There is continued attention to reduce water consumption by creating awareness among staff and better instructions and equipment for cleaning. In India we started in 2011 to use the water from our own effluent treatment plant to water the garden. In Singapore we now buy two different qualities of water from the council for various and different purposes.

## Waste reduction 2012

	Hazardous	Non-Hazardous	Total	Production
Spain	564,10	330,80	894,90	23.196
USA	62,90	0,00	62,90	464
Brasil	146,00	25,80	171,80	9.619
Netherlands	1.054,00	846,30	1.900,30	35.486
Mexico	1.047,70	319,40	1.367,10	16.358
Colombia	1,40	6,10	7,50	0
China- Guangzhou	0,00	0,00	0,00	0
China - Suzhou	370,10	111,10	481,20	7.546
Italia	26,50	12,80	39,30	0
Asia	412,00	375,60	787,60	16.656
Pakistan	0,00	0,00	0,00	0
India	228,60	225,80	454,40	8.166
Turkey	0,00	0,00	0,00	0
Pielcolor China	6,10	0,34	6,44	0
PielColor Uruguay	9,20	6,98	16,18	0
Total waste all sites (kgs)	6.189.520			
Total Production 2012 (tonnes)	117.491			
Waste in kg per tonne production	52,7			

Waste reduction plan 2012-beyond is completed for each production unit and put into action. As these plans also contain confidential information, they are not made public up front. There will be reporting on progress in a condensed version.

<b>Health and Safety</b>
<b>Safety statistics</b> Incidents (number of unplanned releases per year): <ul style="list-style-type: none"> <li>• On-site (Cat A)</li> <li>• Off-site but no damage or complaint (Cat B)</li> <li>• Public concern, complaint or damage (Cat C)</li> </ul> Incidents (Number per year): <ul style="list-style-type: none"> <li>• Members of public justified (Cat I)</li> <li>• Unjustified (Cat II)</li> <li>• Formal written complaint from authorities (Cat III)</li> <li>• (Includes prosecutions and fines)</li> </ul>
<b>Compliance</b> <ul style="list-style-type: none"> <li>• Compliance with Reach</li> <li>• Audits to confirm the above compliance (frequency/outcome/ last date)</li> </ul>

## Incident reports 2010-2012

Environmental Data Stahl Group	2010	2011	2012
<b>Wastes</b>			
Hazardous Waste (tonne)	3.520	4.471	3.929
Non-hazardous waste (tonne)	1.159	662	2.261
Total Waste Generated (tonnes)	4.679	5.133	6.190
Total Production FG (te)	111.538	108.345	117.491
Ratio Total Waste (kg) / Production (te)	42,0	47,4	52,7
<b>Incidents (unplanned releases per year)</b>			
* On-site (Cat A)	69	65	68
* Off-site but no damage or complaint (Cat B)	0	0	0
* Public concern, complaint or damage (Cat C)	0	0	0
<b>Justified Complaints (per year)</b>			
* Members of public justified (Cat I)	2	0	1
* Unjustified (Cat II)	0	0	0
* Formal written complaint from authorities (Cat III)	0	0	1
(Includes prosecutions and fines)			
<b>Compliance with Numerical Regulatory Limits (All Sites, Air/Water)</b>			
* Total tests	3136	3187	5101
* % Compliance for all tests	99	98,7	98,9
* Site Compliance >95% of tests	6	5	9
* Site Compliance 70% - 95% of tests	2	2	0

## Compliance

Stahls operates in line with REACH legislation.  
Audits to this date have not been performed.

## 4. ANTI-CORRUPTION

UN Global Compact Principles:

1. Work against corruption in all its form, including extortion and bribery

### Assessment, policies and goals

Stahl is a global player and consequently is confronted with local practices on a regular basis. However, Stahl has not and will not engage in any form of corruption. This relates to its relationships with legislators, local authorities, suppliers, customers and other stakeholders.

## **Policies**

As part of Stahl's pledge to the anti-corruption principle of United National Global Compact Stahl, Stahl expresses this very clearly on its website. Furthermore, the topic will also be addressed in the Stahl Code of Conduct.

## **Implementation**

Stahl's anti-corruption pledge is clearly stated on the website and in all communications regarding our corporate social responsibility.

Stahl's code of conduct is to be finalised shortly and will be implemented in 2013.

## **Measurement of outcomes**

There have been no cases of corruption. If such an occasion would arise, Stahl management or Board of Directors will take appropriate action.

# **5. COMMITMENT TO LOCAL COMMUNITIES**

## **Assessment, policies and goals**

As a multinational company with a presence in all corners of the world, Stahl has taken on the responsibility to work in local communities and establish good relationships within those communities. Stahl sees it as its responsibility to contribute to the development of the communities in which it is present.

## **Policies**

Under Grenelle II legislation, on which Stahl's shareholder Wendel Group, needs to report annually a number of topics are addressed:

1. Territorial, economic and social impact of the company activity in terms of employment, regional development on neighbouring or local communities.
2. Relationships with individuals or organisations interested in the activity of the company, in particular associations to combat social exclusion, educational establishments, environmental associations, consumer associations and neighbouring associations:
  - a) conditions for dialogue with individuals and organisations
  - b) sponsorship activities.
3. Sub-contracting and suppliers:
  - a) taking into account in the purchasing policy of social and environmental challenges
  - b) the importance of subcontracting and taking into account in the relationships with suppliers and subcontractors of their social and environmental responsibility
4. Fair trade practices:
  - a) actions taken to prevent corruption
  - b) actions taken to health and safety of consumers
  - c) other actions taken to human rights

## **Implementation**

Annually a report is made on the progress and developments in the above mentioned areas. Stahl undertakes active steps to interact with local communities to enhance development and well-being.

## **Measurement of outcomes**

*Territorial, economic and social impact of the company activity in terms of employment, regional development on neighbouring or local communities.*

### Stahl Holdings / Stahl Europe

At Stahl we promote seeking local suppliers to establish economic connections in the region. To ensure adhering to the strict regulations of local and national authorities and supervisory organs, we seek active contact with them to discuss options and find solutions. Whenever an opportunity arises that can strengthen Stahl's position as a good and responsible enterprise and/or employer in the region, we seek active press contacts to generate free publicity. The goal is to evoke a positive response towards Stahl being a well-accepted enterprise in the region, but also to generate random applications from specialists.

### Stahl India

Stahl India has provided employment opportunities to some inhabitants of the neighbouring settlement who work on a temporary basis and who also hone the skills and behavioural pattern of Stahl and spread them among their neighbourhood. These employees are also examined medically every year and the company insists on certain health parameters for their continuity. Opportunities in Stahl enhance their economic stature in the society and also uplift the standard of their lives.

### Stahl China

Stahl Suzhou is a small player with about 80 employees in Suzhou area. Suzhou has about 7 million people and with the neighbouring villages that were swallowed by its growth, they now claim 11 million inhabitants. The unemployment rate in Suzhou is said to be very low; it has attracted many industries and because of the short distance to Shanghai, became very popular. According to local government authorities Suzhou has more international companies than Shanghai. Because of the growth rate of Suzhou the tendency is that authorities want to move the chemical companies to more remote areas. However, so far we have experienced no pressure.

In 2012 Stahl China was rewarded with the 2012 Economical Contribution Award. This recognition is for advanced enterprises that made outstanding contribution to the economic and social development for the Xuquan Township of Suzhou New District. Stahl established a typical good example for optimising development of the environment, upgrading the industrial structure and enhancing economic efficiency.

### Stahl Asia Pacific

Stahl Asia adheres to Singapore Employment legislation on employment of young person (below 16 years of age) are not allowed to work in:

1. Any occupation/place with working conditions that are (likely) injurious to their health;
2. Any service involving management of, or attendance to, machinery in motion;
3. Any service involving management of, attendance to, or proximity to any live electrical apparatus that is not effectively insulated;
4. Any underground work.

Stahl Asia Pacific adopts the Fair Employment Practices as Singapore has a diverse workforce in terms of its ethnic, religious, age and gender. The five guiding principles for Fair Employment Practices:

1. Recruit and select employees on the basis of merit (such as skills, experience or ability to perform the job), regardless of age, race, gender, religion, family status or disability;
2. Treat employees fairly and with respect and implement progressive human resource management systems;
3. Provide employees with equal opportunity to be considered for training and development based on their strengths and needs, to help them achieve their full potential;
4. Reward employees fairly based on their ability, performance, contribution and experience;
5. Abide labour laws and adopt Tripartite Guidelines which promote fair employment practices.

*Relationships with individuals or organisations interested in the activity of the company, in particular associations to combat social exclusion, educational establishments, environmental associations, consumer associations and neighbouring associations*

*Conditions for dialogue with individuals and organisations*

### Stahl Holdings

Stahl works closely together with BLC, the Leather Technology Center at the University of Northampton, the world's leading institute for leather technology. Regularly our employees give lectures and presentations to the students.

Furthermore, Stahl joined Leather Working Group, a worldwide group of enterprises active in the entire leather supply chain: from leading consumer brands, tanneries and chemical companies. The aim is to find solutions within the industry itself to improve environmental impact, supply chain management and origination.

Additionally we joined Leather Naturally, an initiative of the leather industry to counter act against the claims of NGO's and special interest groups to ban leather. The activity of the group will be mainly PR related.

As of 2012, Stahl has joined United Nations Global Compact. This is to underline its serious intentions towards taking responsibility for its corporate citizenship by implementing a structured approach on a number of social and environmental issues. Worldwide some 8.000 companies have joined, among which many leading multinationals and brands. A yearly report on progress on set targets is mandatory.

### Stahl India

Stahl India is a member of Sipcot Association and National Safety Council. The former helps the company in dealing with organizational issues like power, roads, water and pollution etc. This organization is recognized by the government authorities and comprises of member industries that have universal problems to combat.

The National Safety Council deals with overall safety awareness in industries and they organize camps, lectures visits etc. They also award member industries who excel in safety.

### Stahl China

Stahl China has an agreement with Sichuan University to take 2 students. We contribute financially and we gave some lectures. This university specialises in educations for the leather and textile industry.

Furthermore, we work with government offices: Planning office, Environmental office, Health and Safety office and of course the Tax office.

We have no contacts with NGO's relating environmental issues.

### Stahl Asia Pacific

Educational Establishment:

Stahl Asia works closely with local higher institutions on student internship placement programs in particularly in the area of Chemical Process Technology courses. This promotes the younger generation with a broader perspective of our industry and provides opportunities to apply their academic knowledge in a real world environment relevant to their field of study and it also promotes personal growth. It forms an integral part of their education which makes them more competitive and prepares them for future employment so that they can adjust more effectively to working life and to help them in choosing their career path.

Furthermore, we sponsor a book prize for students, in particularly students from Chemical Process Technology field. This is to reward students in recognition of their excellent academic performance.

### Stahl Ibérica

We currently have agreements with all the universities in Barcelona and the EUETII - ESA (Escola Universitaria d'Enginyeria Tècnica Industrial d'Igualada/Technical Engineering School & Leather School) in Igualada. We contact the work exchange bureaus at the various universities to recruit students in their final year to carry out practical work experience in our company. This type of agreement involves the company making a small financial contribution towards managing and formalizing the practical work experience programme.

We also contact the work exchanges of the various universities in Barcelona to recruit recently qualified graduates and to offer them junior positions in our company or other of the Group sites, such as Holland.

We collaborate with various schools and with the Employment Service of the Generalitat of Catalonia (SOC Department of the Generalitat of Catalonia) to take in students to carry out non-working professional experience such as chemical analysts in laboratories or operators in chemical plants in order to obtain a given number of hours of practical work experience in a company to be able to obtain the "Certificate of Professional Standing" and to be able to join or enter the labour market.

We participate in the "Responsible Care" programme of the FEIQUE (Spanish Federation of the Chemical Industry) and in COASHIQ (Autonomous Committee for Safety and Hygiene in the Chemical Industry).

### *Sponsorship activities.*

#### Stahl Holdings

Stahl has a restricted sponsoring policy and only supports initiatives that are related to its activities, local activities or relate to the guiding principles of United Nations Global Compact. Activities in 2012 sponsored:

1. Schoenenmuseum Waalwijk (Shoe Museum) – Stahl is a benefactor of the museum
2. Hospice Francinus de Wind, Waalwijk – a special care home for terminally ill residents, where healthcare staff and volunteers work together to ensure that patients can spend the final stage of their lives in a more homely environment, instead of a hospital. Stahl donated yearly financially; furthermore, a team of Stahl employees participate in a cycling tour to raise additional money. Stahl contributes to this initiative with some promotional material, such as pens, t-shirts.
3. Duchenne Heroes – a team of mountain bike cycling enthusiasts, among which Stahl a employee, organising a yearly cycling tour to raise funds for the Duchenne Disease Foundation Netherlands.
4. Terre des Hommes – In September 2012 Stahl participated in a national campaign in the Netherlands among businesses. Stahl staff donated used textiles, leather goods and cell phones. The proceeds of this campaign were invested in educational and sports projects in India for underprivileged children.

#### Stahl India

Stahl India sponsors the fight against leprosy by making yearly contributions. We also donate to the Prema Vasam orphanage in Chennai, housing 150 children with mental and physical disabilities.

We have organized medical camps for women and children attended by neighbouring settlement and village.

We also donated medicines to children's homes.

Sports also form part of a sponsorship for the event of football and kabbadi, a south Asian team sport.

#### Stahl China

We make some small donations to support some activities of Sichuan University.

Furthermore, we get requests for sponsoring of some employee activities for some customers. These amounts are approved by local authorities.

#### Stahl Asia Pacific

CSR through Social Recreational Activities for charity:

Charity Brisk Walk: to make a positive impact on improving the quality of people's lives through raising funds to support charity organisation. Stahl Asia Pacific contributed some donation for every staff who participated in the charity walk. At the same time it promotes employee bonding and encourages employees to get out of their normal routine and exercise through work-life balance.