

2014

CORPORATE SOCIAL RESPONSIBILITY

REPORT

STAHL HOLDINGS BV

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1. ABOUT STAHL

1.1 HISTORY, ORGANISATION, VALUES & VISION

Stahl is a leading specialist and innovator in chemicals for leather treatments such as dyeing, tanning and finishing, as well as performance coatings for all kinds of other materials. Stahl delivers essential, creative and inventive solutions that add value for brands.

Vision

Our vision is to create responsible partnerships that spark innovation and open up endless possibilities.

- *We open up endless possibilities*
With our creative technical approach and innovation power, we create unique solutions that meet and exceed customer expectations.
- *We value people*
We stimulate collaboration in- and externally by investing in our employees, creating optimal customer satisfaction and embracing our stakeholders.
- *We take responsibility*
When it comes to sustainability, we take a frontrunner position by exceeding expectations, investing in outperforming legislation and initiating transparency in the supply chain.

Our Values

- We value Collaboration
- We value Responsibility
- We value Initiative
- We value Imagination

Our Brand essence

Together we open up endless possibilities

Our Why

If it can be imagined, it can be created

The founding of Stahl

When Harry Stahl founded Stahl in 1930 he envisioned a company based on strong family values. Those values together with good business ideas and opportunities would prove to be a successful formula. His determination, expertise and entrepreneurship led to a rapid expansion outside the USA to meet the growing demand for leather chemicals around the world. In the late 40's, 50's and early 60's Stahl expanded its business to become a worldwide expert in coatings and finishes.

In the early nineties things moved fast for Stahl. Literally. In 1990 the company moved its international headquarters to Waalwijk, the Netherlands, and a year later, the Wet-End business took off. This launch was followed by the development and introduction of automotive water-based leather finishing (1992), hybrid resin (1993) and Polymatte® (1998).

Stahl kept growing during the new millennium. After the development and implementation of anti-squeak topcoats in 2003, PielColor became part of the Stahl Family in 2004. In 2006 Stahl not only opened a production location in China, but also founded Picassian. With these expansions more opportunities and partnerships were created, just like Harry Stahl had envisioned.

In 2013 the revolutionary 'green' Polymatte® was launched, creating opportunities for a more sustainable future. The latest addition to Stahl's growing; future-proof success is the acquisition of Clariant Leather Services Business. This new addition to the Stahl Family will undoubtedly guarantee Stahl's leadership for chemicals products for leather and performance coatings for years to come. As a result, Stahl is looking with confidence to the future. A future we create day by day, together with our highly appreciated partners and clients.

Expertise and proximity

Stahl employs more than 1.800 employees at 11 manufacturing sites and 38 laboratories in 23 countries. This world coverage makes Stahl a leading player within the field of chemicals for leather products covering the whole leather processing chain and performance coatings. As the market of performance coatings is growing every day, Stahl is determined to keep playing a prominent role in this increasing sector. Today and tomorrow, from Brazil to the Netherlands, from the USA to Singapore and from Italy to India: Stahl always brings the best in smart and sustainable solutions in leather and synthetic chemicals.

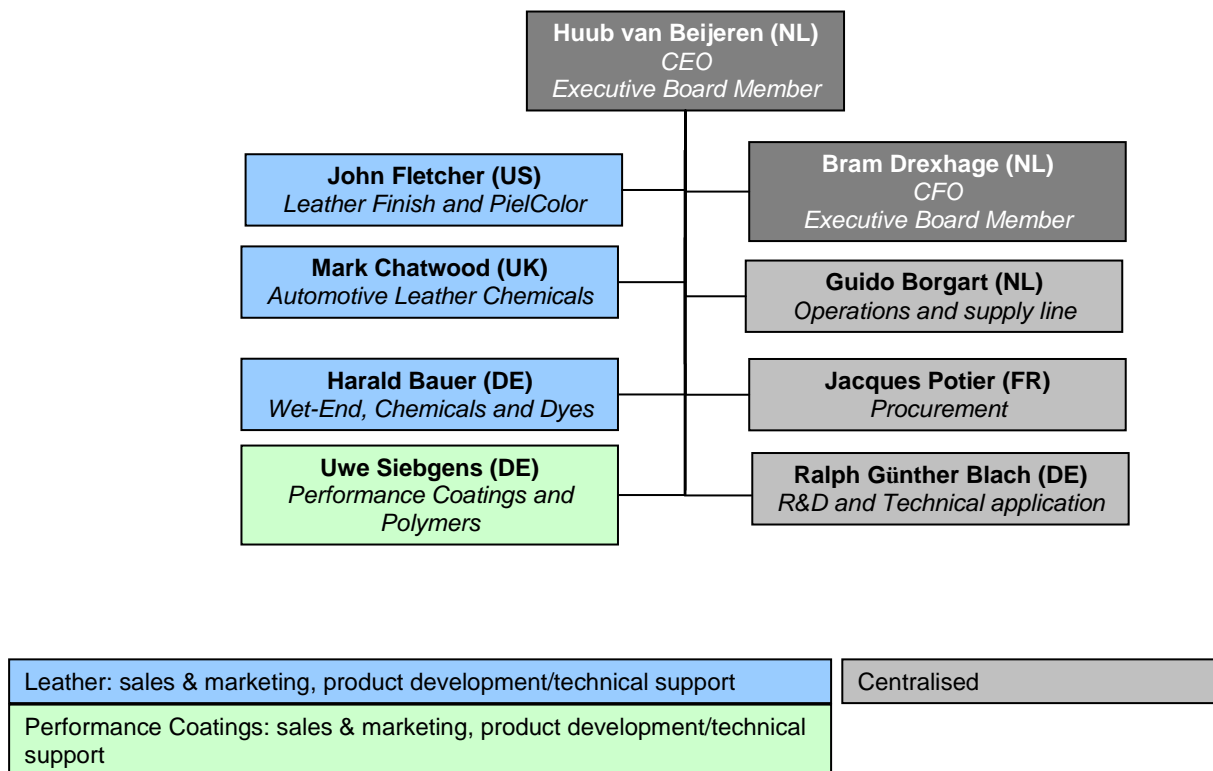
In each region we have the possibility to carry out the physical test requirements for the OEM's. With our latest technologies, innovations and the most up-to-date testing equipment, we can always assure the best application possible, a whole life long.

Research

At Stahl, we strongly believe that research is a sound base for the future. That 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 tech 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. On top they will get all our knowledge: recipes, application tips, problem solvers, emergency teams, etc.

Stahl experts are always at 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.

Product range

With a wide product portfolio of Wet-end Chemicals and dyes our product range covers following phases in the first steps of the leather processing:

Some highlights: Stahlite - lightweight leather, EasyWhite Tan - chrome-free (tanning system) leather, Waterproofing and high performance dyes

Beamhouse (Tanning) solutions for: soaking, liming, degreasing, deliming, bate, tanning agents, tanning auxiliary

Retanning products: Mineral, neutralization, acrylics, Polymers, Phenolics, Resins, Blend, Auxiliary, Dye Auxiliary, Dyes

Fatliquoring products and solutions: Polymers, Natural, synthetics, combined

Waterproofing products and solutions: Silicones, Polymers and synthetics

Stahl experts are always at ready to assist customers in achieving exactly what is needed.

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 cover:

- Impregnation systems (aqueous and solvent borne) for fill 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 aniline 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 takes fashion seriously. From main street to high-end. Our technicians work closely together with the world's leading tanneries and designers to create products that meet even the most critical customer's demands. Each year our fashion team designs collections, based on the latest trends and expert forecasts. We provide our clients with the latest insights and developments in fashion and technology.

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.

Automotive Leather Chemicals (Leather)

With over 80 years 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.

Environment in automotive

The automotive industry faces considerable challenges with respect to the environmental aspect of their business. Stahl works very closely with its customers and OEMs to constantly try and reduce the weight of the products applied in the vehicle, but without compromising on quality and durability.

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.

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.

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 industries and areas of application:

- Automotive (car interior solutions: trim coatings, elastomer coatings and colour matched paints)
- Apparel and accessories (footwear, bags, garments and acc – Synthetics)
- Home furnishing (furniture, upholstery, flooring, decorative surface films, window deco)
- Industrial application (technical textiles, protective fabrics, fastening systems, tarpaulin, life saving fabrics, gloves, security papers, packaging, printable coatings)
- Leisure and lifestyle (sports, football, grass mat, kite, abseil rope, ballooning)

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.

In 2013 Stahl introduced a new product range called STAHL EVO. These articles were developed to make products we use in daily lives more responsible, safe and sustainable. The STAHL EVO product range contains coatings that have evolved from existing proven technology and are protected by patents. The STAHL EVO product range allows manufacturers to produce PU Coated Fabrics in harmony with the environment. STAHL EVO products are as much as possible water-based or based on truly 100% solids.

Stahl Polymers

Picassian® has been Stahl's polymer brand since 2006. In 2014, Stahl acquired Clariant's Advance Surface Coatings Division and the renowned Relca® product range. Stahl Polymers Develops high-quality coatings and inks that have less impact on the environment. The portfolio offers high-performance polyurethanes to specialty acrylic emulsions and carbodiimide crosslinkers for architectural coatings, the metal industry, graphic arts, electronics, automotive or fashion. The Polymers will meet the most stringent coatings requirements.

1.2. SUSTAINABILITY @ STAHL

Responsibility

More and more sustainability in the supply chain is perceived as essential for long-term profitability. It has almost replaced monetary cost, value and speed as the dominant topics among purchasing and supply professionals.

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.

Our Sustainability vision:

When it comes to sustainability we take a frontrunner position in the market by initiating transparency in the supply chain.

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 strive for continuous improvement in both environmental and safety performance. This is audited annually.

Stahl has engaged The Natural Step to help guide us on the road to a more sustainable future. The cooperation started in early 2013 and continued through 2014. Furthermore, dedicated staff in R&D is working on development of (substitute) products that are less invasive than traditional solutions.

Environment

Many Stahl products 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.

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 by-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.

2. 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 the largest corporate responsibility initiative in the world, with over 10,000 signatories based in 140 countries. For more information: www.unglobalcompact.org.

Report 2014

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.

Since 1st of May Stahl acquired the Leather Service Department of Clariant. The numbers shown in this report differ, some do include other do not include numbers from the former Clariant plants.

2.1. COMMITMENT TO UN GLOBAL COMPACT

Stahl has committed to the guiding principles of UN Global Compact as from 1st 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, February 2015

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 blue ink signature, appearing to read 'H.J.J. van Beijeren', written over a horizontal line.

H.J.J. van Beijeren
Chief Executive Officer
Stahl Holdings BV

2.2. HUMAN RIGHTS

UN Global Compact Principles:

1. Support and protect 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. In 2014, a Code of Conduct was finalised in which the principles of human rights, labour and anti-corruption are addressed.

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.

2.3. 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's Corporate Social Responsibility is audited in compliance with the French Grenelle II law before the report can be included in the Wendel Annual Report.

Stahl is in full compliance with local legislation for all its employees and expresses its dedication to being an equal opportunity employer. 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.

Measurement of outcomes

As of 2013 a set-up for a yearly report has been implemented. Although we only report the total numbers below, the following reports are available internally.

Headcount reporting	Available Y/N
Total headcount/per region	Yes, see below
Male / female ratio, total and per region	Yes
Male / female management ratio, total and per region	Yes
Ratio temporary and fixed contract, total and per region	Yes
Disabled, % total and per region	Yes
Sickness rate, % total and per region	Yes
Turnover staff, total and per region	Yes
Turnover critical staff, total (mainly global roles)	No
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:

FTE's	2011	2012	2013	2014
Europe	479	482	499	836
Asia-Pacific	273	276	270	339
India and Pakistan	171	180	143	253
North and South America	310	299	266	312
Total	1.233	1.237	1.178	1.740

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 2014 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.

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) is available in different languages for all staff. Stahl's manual and its guidelines are very strict and must be and are

adhered to by 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 2011 - 2014:

INCIDENT	2011	2012	2013	2014
Reportable Injuries	6	3	2	3
Serious Injuries	2	4	3	5
Minor Injuries	15	14	12	13
First Aid	-	-	-	9
Motor Vehicle Incidents	12	9	12	18
Forklift Truck Incidents	49	27	21	14
Reportable Accident Rate (%)	0,24	0,12	0,08	0,09
Serious Accident Rate (%)	0,08	0,16	0,13	0,16
Minor Accident Rate (%)	0,61	0,55	0,51	0,41
First Aid Accident Rate (%)	-	-	-	0,28
Contractor Reportable	1	2	3	0
Contractor Serious	0	0	1	0
No. of Employees	1.233	1.237	1.178	1.740
Total Man-hours	2.453.589	2.549.336	2.375.309	3.189.097
Total Production (metric Tonnes)	108.345	117.491	111.865	206.389

2.4. 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

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

In 2010 the decision was already taken internally to establish a better positioning on environmental matters 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, not only to the environment, but to work towards a more sustainable company and future as a whole. We did not consider production alone, but also commercial, financial and HR related issues were 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 we signed up to the UNGC. 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.

As a key strategy in Stahl's commitment to sustainability we have been working with the international NGO (non-governmental organisation) 'The Natural Step' (TNS) over the past two years. At the core of their approach is the Framework for Sustainable Strategic Development, offering a simple yet powerful scientific definition of sustainability. The Framework for Strategic Sustainable Development revolves around a robust, science-based definition of sustainability. They defined four basic "system conditions" that must be met if we want to maintain the essential environmental and social services that sustain human society. These Four System Conditions of a Sustainable Society include:

To become a sustainable society we must eliminate our contributions to...

... the systematic increase of concentrations of substances extracted from the Earth's crust (for example, heavy metals and fossil fuels)

... the systematic increase of concentrations of substances produced by society (for example, plastics, dioxins, PCBs and DDT)

... the systematic physical degradation of nature and natural processes (for example, over harvesting forests, destroying habitat and overfishing); and...

... conditions that systematically undermine people's capacity to meet their basic human needs (for example, unsafe working conditions and not enough pay to live on).

At Stahl we use these system conditions to examine our whole supply chain. Therefore TNS provided us a specific Sustainable Lifecycle Analysis (SLCA). The SLCA is a product assessment which helps us to create a strategic overview of social and ecological sustainability impacts at product level. The assessment looks at every step of the lifecycle: sourcing of raw materials, production at Stahl, packaging and distribution from Stahl to customer, application at customer, use and end of life of the final product.

Implementation

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.

With the help of the SLCA Stahl has analysed his production and the environmental aspects of it.

Stahls current Eco projects:

- Replace old DCS system in Waalwijk for improved process control and reliability
- Noise abatement at emergency generator hall Ranipet
- Improve cooling and heating jacket reactor R008 in Waalwijk.
- Modify storage tank in Palazzolo to store raw materials instead of storing it in IBC's to reducing FLT handling and simplify transfer to reactors
- Energy savings in Palazzolo through condensate recovery and reduction of compressed air usage during weekends

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.

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.

Please note:

Since 1st of May Stahl acquired the Leather Service Department of Clariant. The numbers shown in this report differ in terms of including or excluding numbers from the former Clariant plants. Wherever possible we included the numbers of the former Clariant plants May-December 2014, which generates a problem in the comparability of the numbers with the numbers of the past years.

Energy usages 2014

Region	Utility Units	Electricity (MWh)	Gas (Nm3)	Oil (Tonne)	Steam (Tonne)
Stahl:					
Asia-Pacific	Singapore	2.350		114	
India	Ranipet	749		89	
	Kanchipuram	1.541		469	5.758
Pakistan	Karachi	69	512	4	
China	Suzhou	1.686	30	4	2.421
	GTC	48			
Brazil	Portao	1.558		121	
	Franca	275			
Colombia		19			
Argentina		17			
Mexico	Toluca	1.962	18	164	
	Leon	127			
	Guadalajara	3			
USA	Peabody	1.411	23	360	
Netherlands	Waalwijk	5.180	632.914		1.414
Germany	Leinfelden	2.449	50.306	183	
Spain	Parets	5.136	846.641	3	
Italy	Arzignano	256	38.498		
	Palazzolo	3.049	524.105	183	
Turkey	Tuzla	142	6.825		
Ethiopia	Addis Abeba	1.799			
Pielcolor:					
Asia	Asia	50			
Total		29.877	2.099.871	1.694	9.593

Activity	Unit	Quantity	Emission factor	Total kg CO ₂ -eq.
<u>Scope 1.1 Company cars</u>				
Gasoline use - liter	Liter	229.339	2,780	637.562
Diesel use - liter	Liter	963.783	0,474	456.973
LPG use - liter	Liter	0		0
<u>Scope 1.2 Other company vehicles</u>				
Gasoline use - liter	Liter	765.651	2,780	2.128.509
Diesel use - liter	Liter	98.477	1,256	123.721
LPG use - liter	Liter	31.581	1,860	58.741
<u>Scope 1.3 On-site gas use</u>				
Natural gas use in m3	m3	2.047.043	1,825	3.735.854
<u>Scope 1.4 Emissions production process</u>				
Product portfolio generating CO ₂	kg	3.174.950	0.005	3.761.497
Diesel used in Forklifts	Liter	22.200	3.135	69.597
Fuel Oil used in Production Boilers	Liter	113.900	3.135	357.077
<u>Scope 1.5 On-site electricity use</u>				
Electricity use in kWh	kWh	26.717.970	0,458	12.240.868
<u>Scope 2.6 Imported steam</u>				
Imported steam generated by gas-fired CHP	GJ	43.693	70,300	3.071.618
<u>Scope 3.7 Business travel - flights</u>				
Leg distance < 700km	km	1.228.821	0,270	331.782
Leg distance 700-2500 km	km	3.863.936	0,200	772.787
Leg distance > 2500km	km	12.453.369	0,135	1.681.205
<u>Scope 3.8 Business travel - private cars</u>				
Gasoline use - kilometer	km	1.755.804	0,215	377.498
Diesel use - kilometer	km	33.557	0,205	6.879
LPG use - kilometer	km	165.832	0,175	29.021
Total				26.105.332

Water consumption 2011-2014:

	Water Consumption (m3)			
	2011	2012	2013	2014
Iberica	43.000	41163	45.526	48.476
USA	22	3.709	5.461	6.096
Brasil	19.222	17.069	14.590	18.733
Waalwijk	23.334	24.570	25.992	23.934
Mexico Toluca	22.604	24.496	22.126	21.500
Mexico Leon	-	1.233	778	864
Mexico Guadalajara	-	39	47	51
Colombia	822	490	170	364
Shanghai/GTZ	346	347	342	148
Suzhou	38.910	40.760	28.330	29.946
Italy, Arzignano	1.565	1.699	931	1.058
Italy, Palazzolo	-	-	-	371.939
Asia	27.506	27.937	28.746	24.762
Pakistan	376	1.626	831	996
India, Ranipet	15.547	15.986	14.175	13.239
India, Kanchipuram	-	-	-	10.291
PCGZ	535	504	366	172
PC Uruguay	800	1.231	126	-
Turkey	450	564	742	595
Ethiopia	-	-	-	689
Germany	-	-	-	17.497
Total Water Consumed (m3)	195.039	202.151	188.454	591.350
Total Production FG (te)	108.345	117.491	111.864	206.389
Ratio Water/Production (m3/te)	1,8	1,7	1,7	2,9

Waste 2014

	Hazardous	Non-Hazardous	Total
Iberica	606,1	333,2	939,3
USA	54,9	11,6	66,5
Brazil	221,3	49,6	270,9
Netherlands	1.187,4	580,3	1.767,7
Mexico	543,6	422,2	965,8
Colombia	0,6	4,1	4,7
China, Guangzhou	0,0	0,0	0,0
China, Suzhou	196,7	158,8	355,5
Italy, Arzignano	350,8	3,5	354,3
Italy, Palazzolo	1.680,0	443,3	2.123,3
Asia	409,8	431,4	841,2
Pakistan	0,0	0,0	0,0
India, Ranipet	138,9	206,8	345,7
India, Kanchipuram	21,8	102,03	123,8
Turkey	0,0	0,0	0,0
Germany	345,6	60,72	406,3
Ethiopia	0,0	0,0	0,0
Pielcolor China	0,9	0,2	1,1
Total all sites	5.758,4	2.807,6	8.566,0
Total waste all sites (kgs)			8.566.040,0
Total Production 2014 (ton)			206.388,5
Waste in kg/ton production			41,5

Incident reports 2011-2014

Environmental Data Stahl Group	2011	2012	2013	2014
Wastes				
Hazardous Waste (tonne)	4.471	3.929	3.560	5.758
Non-hazardous waste (tonne)	662	2.261	2.156	2.808
Total Waste Generated (tonnes)	5.133	6.190	5.715	8.566
Total Production FG (te)	108.345	117.491	111.864	206.389
Ratio Total Waste (kg) / Production (te)	47,4	52.7	51.1	41,5
Incidents (unplanned releases per year)				
* On-site (Cat A)	65	68	84	74
* Off-site but no damage or complaint (Cat B)	0	0	0	0
* Public concern, complaint or damage (Cat C)	0	0	0	0
Justified Complaints (per year)				
* Members of public justified (Cat I)	0	1	0	1
* Unjustified (Cat II)	0	0	0	1
* Formal written complaint from authorities (Cat III) (Includes prosecutions and fines)	0	1	0	1
Compliance with Numerical Regulatory Limits (All Sites, Air/Water)				
* Total tests	3.187	5.101	4.515	5481
* % Compliance for all tests	98.7	98,9	99,5	99,7
* Site Compliance >95% of tests	5	9	7	11
* Site Compliance 70% - 95% of tests	2	0	1	0

Compliance

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

2.5. 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 is 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 was finalised in 2014 and is currently being implemented.

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.

2.6. 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 very 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 now 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, is 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. Stahl is a member of the China leather association, which will continue to corporate. Stahl is considering entering the China Coating Association and water borne chemicals association. Stahl China was rewarded with the 2013 Economical Contribution Award. This recognition is for advanced enterprises that have 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 China received the Certificate of Clear Production from EPM. In 2014, Stahl Suzhou received certificate of commendation, a class certificate of commendation from Suzhou Municipal Human Resources and Social Security Bureau & Suzhou Social Credit System Leading Group Office, its recognition by local government.

Stahl Asia Pacific

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 the Leather Technology Centre at the University of Northampton, the world's leading institute for leather technology. Regularly our employees give lectures and presentations to the students.

Stahl is a member of 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. The yearly contribution is US\$ 2.000.

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. Yearly fee is US\$ 2.000.

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 offer scholarships and internships. This university specialises in educations for the leather and textile industry. We are considering setting scholarships and internships with other university to support non-leather Business unit (e.g. performance coatings). 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 contributing € 250 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). Total costs involved € 1.000.

Stahl Mexico

Stahl México offers scholarship and internship experience for students from different Universities as LaSalle, Tecnológico de Monterrey, Universidad Tecnológica del Valle de Toluca, Universidad del Valle de Toluca, Universidad de Guanajuato, by Stahl's Program named: Stahl's Talent Incubator (STI), which offers "real work environment" for students on the last step of professional career coordinate through ANIQ (Chemist Industry National Society).

In the same collaboration program (STI) Stahl México has donated for Universidad Tecnológica del Valle de Toluca, equipment and material for its School workshops, in order to support scholar activities, in fact, there are some University programs where Stahl is invited as speaker on topics related to Chemist Industry and Stahl on the world for 2015 University workshop.

Every year, in coordination with Union Committee, Stahl México gives scholarship for operators' children, during July of each year, all the family member of the student are invited for a lunch where our local Managerial team delivered scholarship and recognition/diploma for each outstanding student.

Stahl México donate for Children's of the City (Charity Private Association located in Monterrey, México) to improve quality life of children in poverty conditions to support feeding and scholar opportunities.

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.
5. Move Award – Stahl supports Move. Move invites design students to join in their search of what the future could look like. They want to give talent the chance to get to surface by an annual international design competition. Move is an initiative of Stichting Donna-e-Mobile a network of Automotive Woman Designers meeting yearly in Milan during the interior fair. Speaking about sustainability Donna e Mobile feels the responsibility to support and involve design students in their path of development since it is their future we try to safeguard.

Stahl India

Stahl India sponsors the fight against leprosy by making yearly contributions. We also donate small sums of money towards orphanage in the name of Sri Ramakrishna Mission.

Stahl China

We make some donations to the Suzhou orphanage or red cross society to develop our social responsibility and reputation. Furthermore, donations are made for special difficulty staff (donations are from employees and labour union).

Stahl Asia Pacific

SCR 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.

3. OUTLOOK 2015

There is no doubt that there is a greater awareness of sustainability across the world. We expect this awareness to continue to grow, we are determined to keep making improvements in our own performance and to help and guide others with regard to sustainability. We welcome the changing attitudes in society, we intend to meet and exceed the new expectations this places on us.

Effective immediately, the Stahl Sustainability team will play a much more active role in managing the Company's environmental performance. We will maintain a balance between local needs and requirements and the wider global direction towards more sustainable activities.

With the acquisition of the Clariant Leather Services Division in May 2014, Stahl grew considerably. After a period of consolidation in the remainder of 2014, we are ready to fully exploit the extra capacity and knowledge we gained in the acquisition. With the building of the new Automotive Centre of Excellence in Waalwijk, we will install the first solar panel on a Stahl site. The building itself will illustrate our commitment to a greener future with many extra features included for the benefit of the environment. We expect this trend to continue across all our sites.

We will continue to expand our interest across the whole supply chain, not just involving ourselves in improving our own operations. We are playing an active role in looking at the recycling of various substrates even where our products only account for a minor part of the total product.

Further to environmental initiatives in 2014 in Bangladesh, India, Mongolia and Pakistan, we will be doing more of the same thing in other countries throughout 2015. Two new campaigns will start shortly in Ethiopia and Myanmar.