



materialise

innovators you can count on

UN Global Compact

Communication on Progress (COP), 2018

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1. Our Statement of Continued Support

To our stakeholders:

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

With this annual COP, we summarize the progress we have made against these principles to date, and pledge to continually improve their integration into our business strategy, culture, and daily operations.

Making the world a better and healthier place is the mission of Materialise, and we consider our support of the UN Global Compact and its Ten Principles to be a key component of this. We're proud of our progress so far, but we see there's still work to be done. Being a good corporate citizen, improving the lives of those around us, and continually setting the bar higher are aims that are enthusiastically embraced at all levels within our organization.

Yours sincerely,

A handwritten signature in blue ink, consisting of a series of loops and a horizontal line, representing Peter Leys.

Peter Leys
Executive Chairman

2. About Materialise

When Materialise was founded in 1990, our goal was to enable new uses for the extraordinary potential that 3D printing offers. Since then, we have leveraged our experience to create a range of software solutions and 3D printing services, which together form a backbone for the 3D printing industry.

Our open and flexible platforms enable players in industries such as healthcare, automotive, aerospace, art and design, and consumer goods, to build innovative 3D printing applications that make the world a better and healthier place.

Headquartered in Belgium with a public listing on the NASDAQ stock exchange and approximately 2000 people in nearly 20 countries worldwide, Materialise combines one of the largest groups of software developers in the industry with one of the largest 3D Printing facilities in the world. Ultimately, we empower our customers to transition towards a digital manufacturing process and to launch innovations that have the potential to forever change the faces of their industries.

2.1 The Materialise Mission

The Materialise mission has remained unchanged since our company was founded by CEO Fried Vancraen more than 25 years ago.

“Our mission is to innovate product development that results in a better and healthier world, through our software and hardware infrastructure, and an in-depth knowledge of Additive Manufacturing.”

2.2 The Materialise Quality Policy

At Materialise, we implement quality in everything we do. This means we are continuously improving ourselves, enabling every employee and manager at Materialise to make a commitment guaranteeing quality in compliance with regulatory requirements.

We have dedicated ourselves to innovating product development that contributes to a better and healthier world as well as aiming to fully understand, anticipate and satisfy the needs of our customers, suppliers and partners.

We provide the backbone for 3D printing technology, and by implementing the Materialise Quality Policy, we are able to deliver high-value service and products to our customers in our three main areas of expertise: manufacturing, software and medical.



Materialise values quality management principles according to ISO 9001:2015, with a strong focus on customer satisfaction and continuous improvement. On a regular basis, we perform customer surveys or customer journey workshops to receive customer input. This triggers and enables us to constantly improve the entire organization.



Materialise touches individual lives with our medical devices and every resulting story is patient-specific. Each step in designing and manufacturing patient-specific medical devices and medical device software follows the regulatory focused quality management system for medical devices compliant to ISO 13485:2016 to ensure safe and effective products.



As providers of high-quality prototypes, production tools and cutting-edge software, we've already enjoyed a long collaboration with the aerospace industry. Since adopting specific aerospace industry standards, we have received EASA Part 21G and EN9100:2016 certification. This allows authorized delivery of airworthy additive manufactured end-use parts. By obtaining these certifications, we've proven to meet the industry demands in:

- Quality and safety
- Reliability and traceability
- Project management and administration

2.3 The Materialise Environmental Policy

As a 3D printing company with industrial and medical production facilities, Materialise has a responsibility towards the environment around us and we're moving towards a sustainable future with our environmental management system (EMS).

Our EMS allows us to understand, address and minimize our ecological footprint. With this policy in place at our headquarters in Belgium, and our ISO 14001:2015 certificate, we are making a commitment to protect the environment and to comply with European environmental legislation, regulations and customer-specific requirements in all of our operations, processes and services.



The EMS focuses on:

- Reducing raw material usage by controlling spills and rejected parts
- Minimizing waste through recycling and proper waste disposal
- Efficient water and energy use
- Minimizing the use of harmful solvents
- Encouraging environmentally friendly commuting

But we know we can keep doing better. We remain committed to continual improvement and each year, we set relevant targets, measure, review and report our performance. We also make sure everybody gets involved – our employees all receive environmental awareness training and are actively encouraged to participate in Materialise's EMS.

2.4 The Materialise Supply Chain Policy

Introduced in 2018, fulfilling one of our COP objectives for the year, the Materialise Supply Chain Policy aims to foster sustainable procurement and support the driving elements that shape us as a company: innovation, co-creation, people, and quality. All employees have been encouraged to apply and share the policy.

The Materialise Supply Chain Policy supports all of the Ten Principles of the UN Global Compact and has been actively communicated to our suppliers. It requires that they share data regarding their own sustainability programs, and encourages them to be accountable, ethical, respectful of human rights, and innovative. Each year the policy will be reviewed and updated as necessary. It is publicly available on our website at: <https://www.materialise.com/en/about-materialise/supply-chain-policy>

2.5 The Materialise Code of Conduct & Ethics

The Materialise Code of Conduct & Ethics was created to provide guidelines for conducting the business of Materialise to the highest standards of business ethics. This Code applies to all Materialise directors, officers, consultants and other employees, and the Code has been incorporated into the Materialise training program to ensure that all employees have read and understand what is expected.

The Materialise Code supports all of the Ten Principles of the UN Global Compact and is available publicly on our website at: <http://investors.materialise.com/governance-documents>. Connected to this Code, we operate an anonymous hotline, available 24 hours per day, 7 days per week, which employees can call should they have any concerns or questions. In 2018, no complaints to this hotline were received.

3. Materialise Sustainable Development Strategy

As a continuation of our mission to create a better and healthier world, in 2017, we first pledged our support of the UN Global Compact, and in 2018, fulfilling another one of our COP objectives for that year, introduced an official CSR team. Today, our sustainable development strategy is focused on creating shared value, so on initiatives that support our strategic priorities and mission, that enable us to deliver on our customer and employee promises, and that foster sustainability. This is complimented by a philanthropic program which supports charitable initiatives around the world.

We currently have five priority Sustainable Development Goals (SDGs): Climate Action (13), Responsible Consumption & Production (12), Reduced Inequalities (10), and Decent Work & Economic Growth (8).

4. Description of Actions and Measurement of Outcomes

Please find below descriptions of the progress Materialise has made against each of the Ten Principles of the UN Global Compact. To the extent they are available, performance indicators and quantitative data are also provided.

4.1 Human Rights Principles

Principle 1:	Businesses should support and respect the protection of internationally proclaimed human rights; and
Principle 2:	make sure they are not complicit in human rights abuses.

Human rights are a priority for us. We will always respect and support them and act in accordance with legislation. At Materialise, we owe our success to our people, and one of our primary objectives is to provide a work environment where employees are free from discrimination, harassment and abuse or threats of any kind. We aim to provide an environment where they feel not just safe and healthy, but where they can go beyond, where they can grow and thrive.

To this end, our initiatives include, but are not limited to:

Safe and Healthy Offices and Production Facilities

All Materialise facilities are safe, suitable and sanitary and comply with government legislation. In addition, all employees, consultants, and directors are required to comply with all applicable health and safety laws, regulations and policies relevant to their positions. We take this very seriously, and all relevant parties are aware that failure to comply can result in civil and criminal liability as well as possible termination of employment.

Materialise headquarters has 17 employees who are trained in first aid and can be contacted in case of injury. We also have 15 fire prevention officers, responsible for ensuring that employees evacuate safely in case of emergency. These officers receive training on a regular basis, and these numbers represent an increase of 6% and 36% respectively over 2017. The remaining Materialise offices are organized in this regard according to national laws.

In 2018, no complaints were received and out of the approximately 630 employees at Materialise HQ where our primary production facilities are located, there were no accidents that resulted in death or permanent injury, and only 5 less serious accidents with a total of 18 days of sick leave. Despite a 14% growth in employees over 2017, the number of accidents and the total number of sick days related to accidents fell by 38% and 75% respectively.

Harassment-Free Workplaces

Materialise prohibits harassment based on race, color, religion, national origin, sex (including pregnancy), sexual orientation, age, disability, veteran status or any other characteristic protected by law, in any form, whether physical or verbal and whether committed by supervisors, nonsupervisory personnel or non-employees. Harassment may include, but is not limited to, offensive sexual flirtations, unwanted sexual advances or propositions, verbal abuse, sexually or racially degrading words, or the display in the workplace of sexually suggestive or racially degrading objects or pictures. Where harassment or discrimination is uncovered, prompt corrective action is taken, which may include disciplinary action by Materialise, up to and including, termination of employment.

In addition to the anonymous hotline mentioned above which is connected to our Code of Conduct and Ethics, we also employ 4 Confidential Advisors who can provide guidance and mediation in the case of complaints, and are bound by confidentiality and will behave consistent with the law. In 2018, a major survey was conducted at Materialise HQ in which 70% of employees participated anonymously. The potential negative outcomes of sexual harassment, discrimination, bullying, and violence were all below the relevant benchmarks.

Wellness and Lifestyle Support

At our offices around the world, Materialise offers a variety of programs to help employees live healthy lives. For example, at Materialise HQ, during 2018, the initiatives included, but were not limited to: a no-smoking policy, fresh fruit deliveries, ergonomics consulting, cholesterol testing, a variety of sports classes, and a bike leasing program. In 2018, all employees with a medical condition participated in the ergonomics consulting, 7% received a cholesterol test, 20% took part in a sports class, and 41% received a bike allowance (up 2% over 2017).

Materialise employees always have access to fresh drinking water, tea, and coffee. And every Materialise office has at least one equipped kitchen. Flexible contracts are also available to help support work/life balance. In 2018, approximately 16% of Belgian and 7% of worldwide employees opted for part-time contracts. Respectively, this is up 2% and unchanged over 2017.

In addition to the above initiatives, in 2018, we aimed to further support human rights with the introduction of our Supply Chain Policy. Previously outlined in Section 2.4, the policy requires that our suppliers respect internationally recognized human rights and that they strive to be aware of any violations throughout their own supply chains. It also requires that suppliers comply with our conflict minerals policy.

4.2 Labour Principles

Principle 3:	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
Principle 4:	the elimination of all forms of forced and compulsory labour;
Principle 5:	the effective abolition of child labour; and
Principle 6:	the elimination of discrimination in respect of employment and occupation.

Not only is Materialise against discrimination and the exploitation of vulnerable workers, but we believe that diversity is one of the keys of a successful organization. To this end, we have a number of initiatives to protect those who need protecting, and to foster an equal opportunity environment for talented individuals around the world.

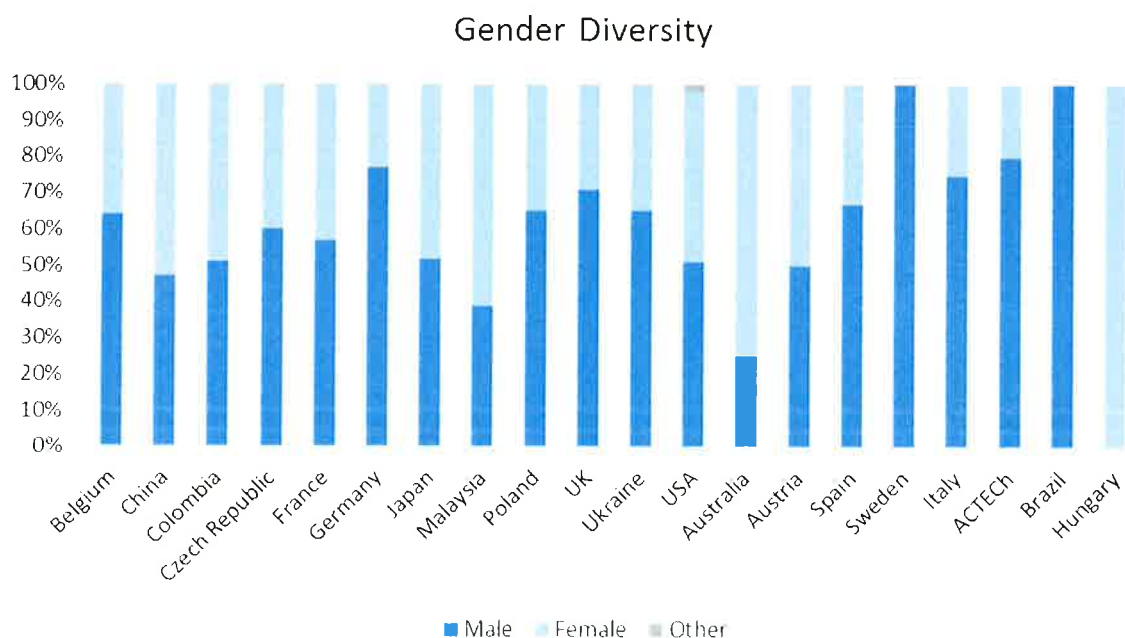
These initiatives include, but are not limited to:

Formalized Fair Employment Policies

Materialise operates offices around the world including in emerging countries such as Colombia, Ukraine, and Malaysia, and is committed to providing equal opportunity and fair treatment to all individuals on the basis of merit, without discrimination because of race, color, religion, national origin, sex (including pregnancy), sexual orientation, age, disability, veteran status or other characteristic protected by law.

We do not participate in any form of forced or compulsory labor, including within our supply chain (Supply Chain Policy, Section 2.4). Employees have the right and are free to join trade unions. Employees must comply with all applicable labor and employment laws relevant to their jobs, and are aware that a failure to do so can result in civil and criminal liability, and termination of employment.

In 2018, no complaints to our anonymous hotline were received and at Materialise headquarters, 1% of our workforce had a disability, and our approximately 630 employees represented over 38 different nationalities. In addition, on a worldwide basis, women held 35% of all positions (please see below for a breakdown by country), and 31% of people management positions. The first number is down 3% and the second unchanged over 2017. In our Board of Directors, 22% of the positions were held by women and in our Director's Committee, 33% of the members were women. These numbers are unchanged and down 9% respectively over 2017.



Wage Band and Performance Evaluation Systems

Materialise has a formalized wage band system to ensure 'equal pay for equal work'. The system conforms to national legal standards and is regularly benchmarked against industry standards. This system is fully in place in our headquarters and in 2018 was rolled out to our worldwide operations. Employees at Materialise HQ and some worldwide offices can also benefit from additional medical insurance and retirement provisions.

Materialise also has a formal performance evaluation system, with evaluations occurring twice annually, to ensure that all employees have the opportunity to shape their career paths. A comprehensive training program is available to all employees to further support career development and personal growth. In 2018, on a worldwide basis, approximately 66% of employees benefitted from additional training.

Charitable Activities

Materialise supports numerous charitable initiatives around the world. Among these many initiatives is the Benin Summer School project which aims to improve the education levels and employment opportunities for less advantaged young people.

The Benin project offers teenagers in West Africa with the opportunity to access higher education scholarships and go on to positions that will enable them to contribute to their communities. Since 2012, 112 students have participated in the Benin Summer School and in 2018, another 3 students received scholarships, taking the total number of scholarships awarded to date to 21.

4.3 Environment

Principle 7:	Businesses should support a precautionary approach to environmental challenges;
Principle 8:	undertake initiatives to promote greater environmental responsibility; and
Principle 9:	encourage the development and diffusion of environmentally friendly technologies.

Materialise is committed to avoiding adverse impact and injury to the environment and the communities in which it does business. Company employees, consultants and directors must comply with all applicable environmental laws, regulations and Company standards and our Code of Conduct makes it clear that a failure to comply with these laws and regulations can result in civil and criminal liability as well as disciplinary action, up to and including termination of employment.

As previously mentioned in Section 2.3, Materialise runs a company-wide environmental management system (EMS) that seeks to understand and above all minimize our effect on the environment. With this policy in place at our headquarters in Belgium, and our ISO 14001:2015 certificate, we are making a commitment to protect the environment and to comply with European environmental legislation, regulations and customer-specific requirements in all of our operations, processes and services.

All Materialise employees receive environmental awareness training and are actively encouraged to participate in our EMS. To ensure engagement, compliance, and continuous

improvement, every year, we set relevant targets, measure, review and report our performance. For example, at Materialise HQ, in 2018:

- 41% of employees used a bike for all or part of their commute. This was up 5% from 2015.
- Water consumption per full-time employee was consistently below expectations at an average of 20.0 liters per day (down 1.5 liters over 2017). The expected consumption level was 25-35 liters/day/employee (based on an average Belgian company).
- Our continued focus on quality further ensured waste production was minimized.
- Our solar panels generated over 160,000 kWh of energy, up 52% over 2017, reducing our dependence on traditional energy sources.

In 2018, we also conducted analyses and put plans in place both to support prototype recycling as well as to extend our ISO 14001 certification to our Polish facilities. As well, we began actively pushing strategies to further reduce manufacturing waste through improved machine reliability. As of December 31, 2018, over 650 thousand Euros have been invested in research projects with another approximately 1.8 million Euros planned for 2019.

In addition in 2018, as previously outlined in Section 2.4, we introduced a Supply Chain Policy which requires that our suppliers also be accountable for both their own impact as well as the impact of their supply chains on not just society and the economy, but also on the environment. Our suppliers should be transparent in any decisions or activities that impact the environment and be able to demonstrate this transparency through their management systems. We encourage a focus on continual improvement. This includes seeking more sustainable alternatives for existing needs and integrating sustainability into all existing procurement practices to maximize sustainable outcomes.

4.4 Anti-Corruption

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

Materialise has a zero tolerance policy with regards to any form of corruption, extortion, or bribery. Our new Supply Chain Policy, as outlined in Section 2.4, requires that our suppliers behave ethically and promote ethical behavior throughout their supply chains. And as mentioned in Section 2.5, our Code of Conduct & Ethics clearly outlines our guidelines for doing business consistent with the highest standards of business ethics. All employees, directors, officers, and consultants are expected to adhere to these standards. Failure to do so will result in appropriate discipline, which may include civil damages, criminal fines, and termination of employment or removal from our board.

The specific areas that our Code covers include, but are not limited to: Conflicts of Interest, Insider Trading, Relationships with Suppliers, Relationships with Customers, Gifts and Entertainment, Financial Reporting, Compliance with Laws and Regulations including Laws Covering Bribery & Kickbacks, and Government Interactions. Our Code is publicly available at: <http://investors.materialise.com/governance-documents> and employees can anonymously report any suspected incidences of corruption to the already mentioned hotline, which in 2018, received no calls.

5. 2018 Summary & 2019 Objectives

In 2018, we aimed to further solidify our support of the UN Global Compact and to put greater focus on the UN's Sustainable Development Goals. As a result, meeting the objectives we laid out in our last COP, we:

- Introduced an official CSR team, added CSR as a key enabler to our company's strategic framework, and created our first sustainable development strategy.
- Updated policies and codes of conduct, and provided connected training for employees.
- Invested in research to further reduce manufacturing waste.
- Conducted analyses and created plans to extend our ISO 14001 certification and roll out a prototype recycling program.
- Took further steps towards uniform GRI measurements and benchmarking.

For 2019, we will continue to build on the foundation we created last year. In keeping with our sustainable development strategy of creating shared value, and our five priority SDGs, as outlined in Section 3, our objectives include but are not limited to:

- Completion of a Carbon Footprint Assessment for Materialise operations worldwide, and the implementation of first actions, such as a new Air Travel Policy.
- Incorporation of sustainability considerations into strategic decision making processes.
- Development of a technologies ranking system to help guide our customers to more sustainable solutions.
- Further investment in both machine and materials-related environmental research.
- Continuation of plans to extend ISO 14001 certification and introduction of prototype recycling.
- Programs to promote gender and ethnic diversity within our employee base.
- An evolution of our non-financial reporting and a further move towards uniform GRI measurements and benchmarking.
- Continued support of charitable initiatives worldwide which are focused on sustainable solutions.