

NEXT

JOINING UN
GLOBAL COMPACT
CLEANING AIR
REDUCING CO₂
PROTECTING
CLIMATE
IMPROVING
EFFICIENCY
CONSERVING
RESOURCES



KEY FIGURES



1.3
BILLION EUR
SALES

14.3%

SHARE OF WOMEN
TOTAL GROUP



48%

SHARE OF
ISO 14001
CERTIFIED UNITS



46,710
MWh

ELECTRICITY CONSUMPTION



10.1

LOST TIME INJURY
FREQUENCY RATE



1

Revised Code of Conduct



**HIGHLIGHTS
2018**

2

Commitment to the Ten
Principles of the UN Global
Compact

3

Whistleblower System
launched

4

All sites in Germany have
been certified according to
ISO 14001

5

Green Truck Award 2018
VerkehrsRundschau

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A new plant in China

In the second half of 2019, we will open a new plant in Yangzhou, China. In many areas, we will exceed the environmental standards currently required. **P. 10**



Internationally committed through the UN Global Compact Initiative

Last year, SAF-HOLLAND joined the United Nations Global Compact initiative **P. 4**

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ACTING RESPONSIBLY. AROUND THE GLOBE. A MESSAGE FROM THE CEO



Alexander Geis, Chief Executive Officer (CEO).

*Ladies and Gentlemen,
Dear Shareholders and Investors,*

With the publication of our second Sustainability Report, I would like to show you the progress we have made in implementing our sustainability strategy during the 2018 financial year.

In this context, I would particularly like to highlight our employees. These people work every day to make our production processes and our products a little better. They are the ones who are the first to see when things are not going well in their workplace, when materials are wasted, when too much energy is consumed and when working and safety conditions are not what they should be.

When I started at SAF-HOLLAND, we only had a few hundred employees. Today, the company employs around 4,500 people in 32 countries. At that time, I knew almost every employee personally. This is unthinkable today, despite being on site on a regular basis. With the globalization of our business activities, we are facing new challenges. We want to ensure that our commitment to high ecological and social standards here in Europe is also practiced throughout the company – especially by our executives. “Tone from the top”, an old but appropriate principle. That is why I am calling on all of our senior executives to lead by example. Our corporate culture, which was that of a family-owned busi-

ness for many decades, should also endure in a globally active corporation. This means that all of our employees and executives at the SAF-HOLLAND Group should treat each other as family, with both appreciation and respect. If, however, an employee or other stakeholder feels mistreated or would like to draw our attention to any irregularities, there is now a whistle-blower system in place that was established in the 2018 financial year.

One thing is particularly important to me in this context. Unfortunately, in our society today we often observe irreverent, xenophobic and even racist behavior. That is why we as a management team immediately said yes when our works council proposed that the company put up signs with the words: “Respect! No room for racism”. At SAF-HOLLAND, we have people from many different nations. We encourage the appreciation of our differences and work together respectfully. Racism is not tolerated at SAF-HOLLAND.

Being a global company presents added challenges such as respecting human rights in the supply chain, and more. With this in mind, we made the decision last year to revise and adapt our Code of Conduct. We also joined the Global Compact of the United Nations. This is how we intend to demonstrate and make certain that our sustainability principles apply everywhere and that we can see the progress we have achieved. Because one thing is clear: even though there are many things we do very well – as you will read in this report – there is always room for improvement.

By making our products lighter, we help reduce greenhouse gas emissions with every ton of freight that is transported. We are also working hard to get our own transportation on the rails, to avoid empty runs and to compensate for the greenhouse gases that are still unavoidable.

We hope you enjoy reading our second sustainability report.

Sincerely,

A handwritten signature in black ink, appearing to be 'AG', written in a cursive style.

Alexander Geis

Chief Executive Officer (CEO)



INTERNATIONALLY COMMITTED THROUGH THE UN GLOBAL COMPACT INITIATIVE

Last year, SAF-HOLLAND joined the United Nations Global Compact initiative. As a company that is becoming ever more global, we want to take more responsibility in an international context.

As of today, around 13,000 companies and organizations around the world have joined the United Nations initiative. Now, we too are taking part. Why, you may ask? Are we going too far? With just 4,500 employees, aren't we too small to be a part of the Global Compact initiative?

SAF-HOLLAND has grown a lot in recent years. We manufacture in 15 countries on six continents, including the United States, Brazil, Turkey, South Africa, the United Arab Emirates, India and China. In all these countries, we face different challenges in terms of sustainability. We identify and evaluate the respective risks and from that derive the necessary measures. First and foremost, we want to ensure that human rights are respected throughout our value chain. Several years ago, we introduced a Code of Conduct, which we revised again in the year 2018. It is clear to us that child labor, discrimination and corruption are absolutely abhorrent. In fact, we have already been addressing issues that the Global Compact initiative is dealing with. There-



fore, it was a natural step in our sustainability strategy to also support this initiative. We are now sending a clear signal to the outside world and to our employees that we are serious about our responsibility. Everywhere we do business.

With the annual progress report, which Global Compact members are required to present, we at SAF-HOLLAND believe that it is our job to assure ourselves and the public that we are on the right track. That is why this sustainability report also serves as a Communication on Progress. For information on the Ten Principles and how we comply with them, please go to page 45.

At the same time, the Global Compact is a network. Companies meet to share their experiences. The German participants are organized in the Foundation German Global Compact Network giving them the opportu-

nity to learn from one another. Ultimately, we are all part of an initiative that aims to make the global market economy sustainable.

It was the UN Secretary General at the time, Kofi Annan, who launched the Global Compact initiative in 1999 – an agreement that companies enter into with the United Nations by committing to ten Principles. Above all, it is about respecting human rights everywhere and ensuring that subcontractors and suppliers are not indirectly involved in any violations of human rights. As members of the UN Global Compact, companies are also committing to combating child labor and corruption, avoiding all forms of discrimination against employees and actively protecting the environment.

THE AIR IS CLEAR!

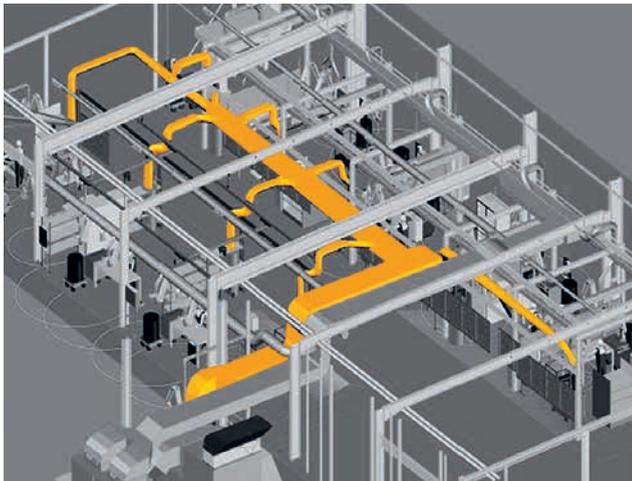
Employees at the Bessenbach site welcome a new ventilation concept

Actually, we just wanted to move a few machines to another building. When we started planning, we had to pay special attention to the extraction system because of the low height of the ceiling. We quickly concluded that the previous systems would no longer meet our occupational health and safety requirements. We also wanted to make sure that we would be ready for tighter regulations in the future. Local exhaust ventilation in the workplace was no longer effective enough to protect employees. We needed a better ventilation system. So together with a company for exhaust and filter technology, we designed a tailor-made solution that

would enable us to meet all of the prescribed limits.

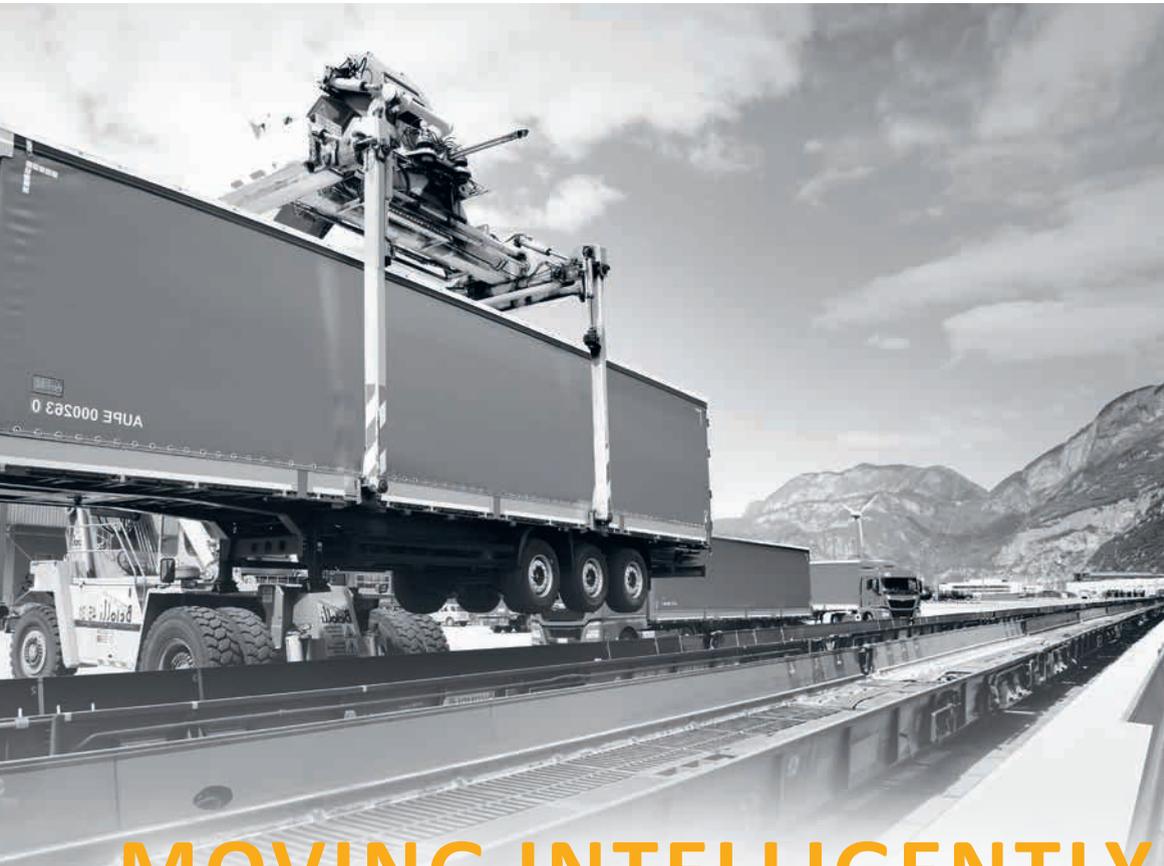
We have now successfully implemented a system using a combination of stationary extraction arms and stratified ventilation. It works like this: From the hall, the used air is sucked and filtered out into the open air. At the same time, up to 100 percent fresh air is returned directly to the workstations through a heat exchanger without creating a draft. Drafts can harm both the employees and the quality of the welding work. Together with the extraction system, we now have an optimal solution in which the energy balance of the building has also been taken into account and improved. Our employees are pleased with the improvement in their working environment.

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Bessenbach production hall with improved ventilation system.





A semi-trailer is loaded onto the railway before crossing the Alps.

MOVING INTELLIGENTLY THROUGH THE ALPS

Fewer greenhouse gases with combined transport

Freight transportation is increasing, even in Europe. Most goods are transported by road. The routes through the Alps are particularly overstressed. A few years ago, at SAF-HOLLAND we already started shifting more and more of our transportation to and from Italy onto the railways. This is referred to as “combined transport”. In other words, we use the advantages of road and rail by reloading the semi-trailers from the truck onto freight trains at the loading terminals and then back onto the truck at rail terminals that are near the destination. For journeys of more than 300 kilometers, combined transport is both more economical and more environmentally friendly. We can solve three problems with one solution. First, we can significantly reduce greenhouse gases and thereby reduce CO₂ emissions along the route by two-thirds per truckload. Second, we can load four tons more weight per semi-trailer during rail transport, making journeys more efficient. In fact, every sixth trip can be dispensed with completely. Third, we help to relieve overstrained roads. We are now trying to use the combined truck-rail method for our trips to Spain or from Turkey.

Thanks to smart transportation solutions, we save the environment up to 330 tons of CO₂ per year.

We offer our customers SAF UP, one of the lightest rail loading systems (air bellows), which ensures less wear and a longer service life. Additional accessories such as safety ropes to protect the bellows during loading are not required. With this product, we are contributing to more environmentally friendly combined transport.

CHILDREN PROTECT THE CLIMATE, AND WE COMPENSATE FOR CO₂ EMISSIONS

We believe “Plant-for-the-Planet” is a fantastic project. Which is why in 2018, SAF-HOLLAND once again trained children from the region as climate ambassadors. Nearly 70 students participated. They learned a great deal about climate protection and planted 150 trees. SAF-HOLLAND is also planting trees in Mexico. This is one way we are doing our part to compensate for greenhouse gases.

We are very pleased that the Plant-for-the-Planet project encourages and enables children to actively promote environmental protection. This builds character, and they come to realize that every individual counts. Children are our future, and they need a future. Naturally, we do not want to shift the entire responsibility to

them for everything that the generations before them have left behind. However, as children, they have a great opportunity to learn fundamentally different behavior right from the start and make climate protection a matter of course. This is the reason why, for the third consecutive year, SAF-HOLLAND has been supporting the “Plant-for-the-Planet” initiative, which plants trees worldwide.

What did we do exactly? Twice a year, we invited students between the ages of nine and twelve to a “Climate Academy”. Here they were trained to become “climate ambassadors” by other children and young people who were already familiar with the project. In the afternoon, everyone planted trees together with a forest ranger; after all, the initiative’s motto is “Stop Talking, Start Planting!”. So far, we have planted more than 400 trees in the region of Aschaffenburg together with local schoolchildren.

As far as compensating for greenhouse gas emissions, our focus is currently on the Mexican peninsula of Yucatán, where our donations have so far yielded some 104,000 trees. Because each tree will absorb around 200 kilograms of



CO₂ on average over the next 20 years, these trees will be able to extract more than one million kilograms of greenhouse gases from the atmosphere every year for many years. This initiative is helping us to establish the basis for making our company carbon-neutral.

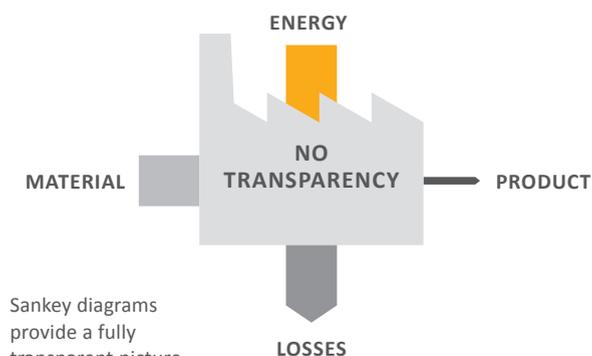
We appreciate the personal exchange we have with Felix Finkbeiner, the founder of the organization. Together with recognized experts, we also scrutinize the standards for calculating greenhouse gas emissions and aim to create maximum transparency in compensating for CO₂. Because, by no means, do we believe that we are relieved of our responsibility in our day-to-day business merely through our commitment to planting trees.



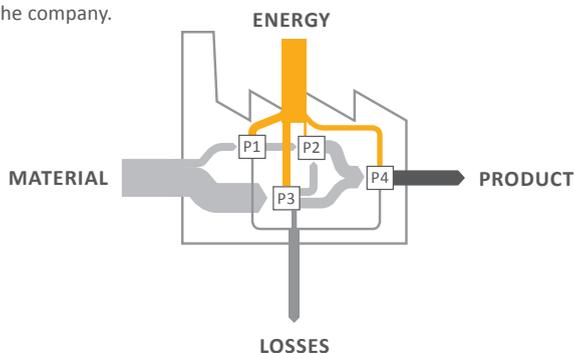
Reforestation feeds 100 forest workers and their families in Yucatán (Photos: Plant-for-the-Planet).

At SAF-HOLLAND, we are determined to reduce the negative environmental impact of our business activities as much as possible. We intend to do everything possible to further reduce emissions during the service life of our products (see Chapter 2). We also want our processes to become even more efficient. That is why we are working intensively on the management of our material flows.

Project on material flow management shows that: SAF-HOLLAND PRODUCES EFFICIENTLY AND IS SAVING RESOURCES



Sankey diagrams provide a fully transparent picture of the material and energy flows within the company.



In a manufacturing company like SAF-HOLLAND, there are many raw and other materials used daily in a variety of places. Making it as efficient and as resource-friendly as possible is not always easy. The first step in ensuring consistently lean production is to have a very accurate picture of the material flows in the plants. This is what prompted us to volunteer to participate in a project sponsored by the ifu Institute for Environmental Informatics in Hamburg and the University of Applied Sciences in Berlin. The German Federal Environmental Foundation funded the project. Experts developed an app that enables the necessary data to be recorded on the move and individual production processes to be analyzed individually.

This was then tested at our Bessenbach site, where the experts could rely on a draft for a bachelor's thesis in our company. With the help of descriptive Sankey diagrams (see left), we were then able to see exactly where the main source of losses was and where we should take action if necessary.

The good news was that the project confirmed that our production was already very lean. Still, we were shown ways in which we could further improve the sustainability of our processes. The project is scheduled to be completed in 2020.



A NEW PLANT IN CHINA

Equipped with high standards for the future

In the second half of 2019, we will open a new plant in Yangzhou, China. In many areas, we will exceed the environmental standards currently required.

Our intention with the new SAF-HOLLAND plant in the Jiangsu Province of China is to keep our ecological footprint in the region as minimal as possible. We also want to be prepared for the lower emission limits in the future. By constructing our own new building, we have the opportunity to take advantage of all the efficiency-saving potential available, right from the start. This has been our approach in China, and we are already doing more than required – eight to ten years ahead of time.

Here are a few examples:

Water management: We recapture 30 percent of our process water without a problem by keeping it in circulation. We will be able to increase this rate considerably over time. Technically, it is feasible that we could even reach a level of 70 percent. We have installed large collection tanks that hold 25,000 liters of service water that we intend to use to water green areas. The roofs and roof terraces are green, and we have even created a park.



At the Yangzhou site, all our product groups will be manufactured.

Energy management: All of our systems use 15 percent less energy compared to conventional technologies. Our air compressors, which are equipped with heat recovery and provide hot water for the sanitary rooms, use even 35 percent less. We operate the drying systems in the paint shop with infrared making it possible for us to generate heat precisely where it is needed. This also shortens throughput times and cuts our gas consumption by about 25 percent.

Waste reduction: Recycling is a big issue for us in Germany. Therefore, we also want to recycle the solid waste produced at our new plant in China and work together only with qualified partners for disposal at the site. We do this to set a challenging precedent and make a positive contribution to environmental protection in the region.

These and other measures are our way of making our plant in Yangzhou an example in the region. With the best suppliers we can find locally, we can ensure the best possible production. It gives us a good feeling to know that we are prepared for the future and have done far more than just the bare minimum for the environment and our employees.

1. CORPORATE GOVERNANCE

1.1 OVERVIEW OF THE SAF-HOLLAND GROUP

GRI 102-1, 102-2, 102-3, 102-4, 102-5, 102-6, 102-7, 102-10, 201-1

With sales of EUR 1.3 billion in 2018 and 4,470 employees as of December 31, 2018, SAF-HOLLAND S.A., based in Luxembourg, is the largest listed independent commercial vehicle supplier in Europe. Internationally, we are one of the leading manufacturers of chassis-related components and systems for trailers, trucks and buses. With around 10,000 spare parts and service stations, dealers and repair shops in more than 80 countries worldwide, SAF-HOLLAND has one of the densest spare parts and service networks in the industry. Next to axle and suspension systems for trailers, our product portfolio includes fifth wheel couplings, kingpins and landing gears.

SAF-HOLLAND's Product Brands

		
<p>Trailer axles and suspension systems</p>	<p>Towing an lifting technology</p>	<p>Suspensions for vocational trucks and buses</p>
		
<p>Air suspensions for trucks and buses and axles and suspension systems for trailers in Brazil</p>	<p>Air suspensions for trucks and buses in China</p>	<p>Coupling systems for trucks, semi-trailers, trailers and special applications</p>
 <p>SIMPLY MILES AHEAD - SINCE 1950</p>		
<p>Trailer axles and suspension systems</p>		
		
<p>SAF-HOLLAND ORIGINAL PARTS</p> <p>is the aftermarket brand for our premium products developed and tested to meet the most stringent requirements.</p>	<p>SAUER QUALITY PARTS and GOLD LINE QUALITY PARTS</p> <p>are the aftermarket brands for our quality products developed and tested as the industry standard.</p>	

Globally oriented thinking and planning are integral parts of our corporate governance. SAF-HOLLAND currently manufactures products at 25 production sites in 15 countries worldwide (see page 47), making us one of the most geographically diversified providers in our industry.

We supply original equipment to our customers on six continents and are present in the aftermarket through our supply of spare parts to the service networks. Our presence in these markets enables us to meet the specific needs and requirements of various customer groups, including vehicle manufacturers, service repair shops, spare parts distributors and fleet operators.

In 2018, SAF-HOLLAND continued to consolidate its market position with Group sales rising 14.2% to EUR 1,300.6 million (previous year: EUR 1,138.9 million). The Group's adjusted EBIT was EUR 89.6 million (previous year: EUR 91.2 million) and the adjusted EBIT margin was 6.9% (previous year: 8.0%).

We generated approximately 87% of our total sales in the EMEA and Americas regions. Our 2020 growth strategy also defines clear priorities in the emerging markets where we see structural market growth that will turn into higher demand for trucks and trailers in the future. This growth presents particularly good market opportunities for our products. In view of the high demand for trailer components expected in the Chinese premium segment, we started the construction of a production center in Yangzhou, China, in 2018. We also increased SAF-HOLLAND's presence in the Asia-Pacific region in the spring of 2018 with our acquisition of York Group, one of the leading suppliers of trailer axles and suspension systems in the APAC/China region.

During this same period, SAF-HOLLAND acquired a majority stake in the coupling specialist V.ORLANDI S.p.A. As a result, we have expanded our product portfolio and can now offer coupling systems for special applications such as agricultural, forestry and mining vehicles.

In mid-2018, SAF-HOLLAND acquired a majority stake in the British telematics and connectivity specialist, Axcend Ltd. Through this acquisition, SAF-HOLLAND has been able to strengthen its software and programming expertise and, at the same time, expand its portfolio of technology for digital trailer applications.

WORLDWIDE MEGATRENDS PRESENT OPPORTUNITIES
SAF-HOLLAND always keeps a close watch on global megatrends in the transport industry and incorporates these trends into its innovation management. Particular challeng-

es arise from the anticipated need for global mobility alongside increasingly stringent regulatory requirements, such as limits on CO₂ emissions.

Future global economic growth is likely to be driven specifically by the increase in the purchasing power of the middle class. A higher level of prosperity will lead to a rising demand for additional transport volumes and, consequently, more freight traffic, especially in urban centers. Since growth will take place predominantly on the road, the demand for trucks and trailers for freight transport will also grow in the future, opening up additional sales opportunities for SAF-HOLLAND.

Resource scarcity, urban air pollution and increasing global climate change are likely to place more regulatory pressure on the transport sector. Stricter air quality regulations, taxes and emissions trading are becoming potential cost drivers. In addition, the sustainability requirements of customers are rising at the same time.

SAF-HOLLAND is prepared for these changes because it actively monitors current trends. The legal regulations on emissions, for example, are seen not only as an obligation but more so as an opportunity. In contributing to a reduction in the environmental impact in urban centers through our products, we are also preparing our business for the future (see Chapter 2 for more industry-specific trends).

1.2 SUSTAINABILITY MANAGEMENT AT SAF-HOLLAND

GRI 102-16, 102-12

We have realized that our aim to develop the best products for our customers, our society and our environment, goes hand-in-hand with developing the most innovative solutions. We achieve this by taking a holistic view of the value chain. Through our efficient use of resources, we reduce the environmental impact of production to a minimum. Because our products have their largest environmental impact during their service life, we have also made this one of our focal points. Here is where our claim of “Best-in-Class” takes tangible form as we enable our customers to save fuel using our lightweight concepts, lower their direct costs and reduce downtimes due to the exceptional longevity of our products. With sustainable products and efficient production processes, we are combining economic principles with ecological actions. This not only helps us save resources and conserve the environment, it also creates additional value for our company in a way that can be measured monetarily.

In 2018, we joined the United Nations Global Compact, which underscored for all stakeholders the importance of sustainability issues at our company. We see our commitment to the United Nations' largest global initiative for responsible corporate governance as an important step towards strengthening SAF-HOLLAND's long-term commitment to sustainability.

SUSTAINABILITY MANAGEMENT WITHIN THE SCOPE OF CORPORATE LEADERSHIP

GRI 102-18

The Corporate Social Responsibility Council (CSR Council) is the governing body that defines the strategic guidelines for the continued evolution of sustainability management within the SAF-HOLLAND Group. Sustainability management includes not only CSR reporting but also integrating sustainability issues into the Group's everyday business activities, such as product and portfolio development, communication, social involvement and employee awareness. The Council also discusses current topics with CSR relevance.

The CEO leads the task of defining and implementing corresponding sustainability goals. The CEO also heads the CSR Council, which is responsible for implementing the actions necessary to achieve the agreed objectives.

The CSR Council is comprised of members with different nationalities from various departments. The Council consists of senior representatives from the areas of Aftermarket, Compliance, Controlling, Health, Safety, Environment and Quality Management (HSEQ), Human Resources, Investor Relations, Logistics, Marketing, Operations, Procurement and Research & Development (see page 19). External experts are brought in to provide additional input.

One of the CSR Council's main priorities in the reporting period was to develop a group-wide sustainability strategy and integrate recently acquired companies by recording their relevant sustainability indicators.

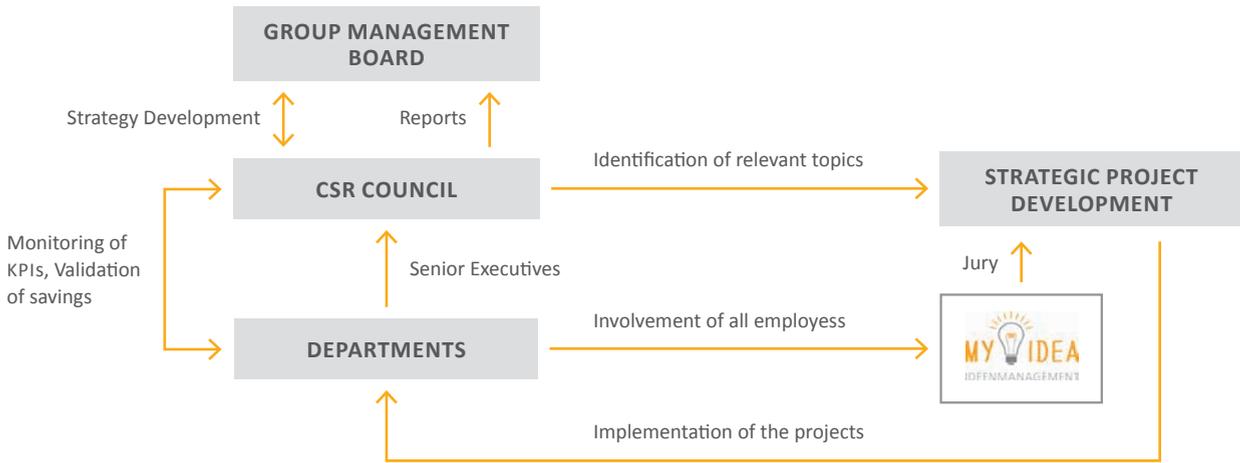
The position of CSR Officer was also created and filled in the financial year to support the group-wide coordination and communication of the key sustainability topics and to initiate additional sustainability activities. The CSR Officer reports directly to the Chief Financial Officer (CFO).

MATERIALITY ANALYSIS: THE FOUNDATION FOR STRATEGIC DEVELOPMENT

GRI 102-46, 102-47, 102-49

In 2017, the sustainability topics relevant to the company were identified by means of a materiality analysis. This analysis was carried out within the scope of in-house workshops

Organizational anchoring of sustainability at SAF-HOLLAND Group



and involved the direct participation of the Group Management Board and a survey of 50 stakeholders from the EMEA and Americas regions. The analysis determined the internal and external relevance of more than 100 sustainability issues. All of the relevant stakeholder groups were taken into account when selecting the stakeholders to be surveyed. Because SAF-HOLLAND sees customers as a particularly high priority, special attention was given to ensuring that suitable customers participated in the survey.

Thirteen priority issues from the areas of corporate governance, products, the environment, employees and social engagement were identified and mapped in a materiality matrix (see figure page 15). The vertical axis of this matrix shows the importance of sustainability topics at SAF-HOLLAND from the perspective of the stakeholders surveyed. The horizontal axis shows the materiality of these issues from the perspective of the company.

We intend to update the materiality analysis every two years. In 2019, we plan to identify the materiality of sustainability issues in our four business regions in order to better reflect the different socio-cultural factors within those regions. We will incorporate the findings of this analysis into our global sustainability strategy and also take them into account in our 2025 corporate strategy.

The materiality analysis also helps to identify the information necessary for understanding our business performance, operating results and the impact our activities have on the various aspects specified in the CSR reporting requirements (environmental, labor, social, human rights, anti-corruption and brib-

ery). The following five issues have been defined as material for the company in its CSR reporting: CO₂ emissions, occupational safety, human rights, anti-corruption/-bribery and product safety.

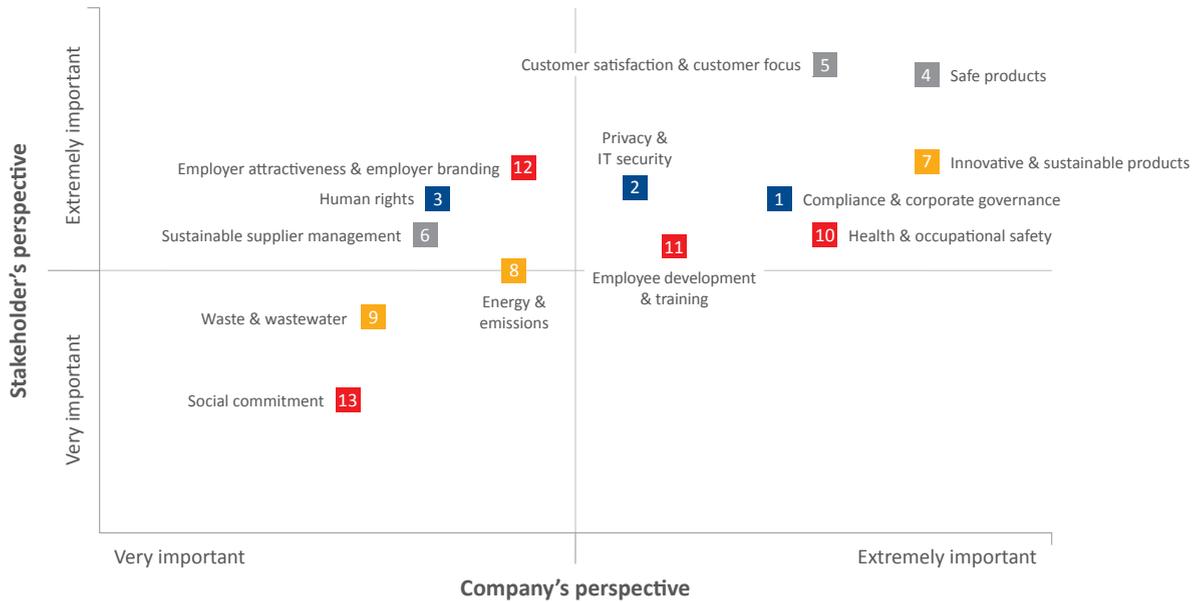
COMMUNICATION WITH STAKEHOLDERS TO SECURE THE FUTURE

GRI 102-13, 102-40, 102-42, 102-43, 102-44

The ongoing dialog with our stakeholders gives us important insight into how we can position SAF-HOLLAND even more sustainably in all important aspects and lead the company in a market-driven manner. The key stakeholders identified for SAF-HOLLAND were customers in the Original Equipment Manufacturing and Aftermarket segments, as well as suppliers, employees, local residents, investors, financing partners, science representatives, politicians and public authorities.

We exchange with interested parties in one-on-one discussions, at conferences, through our membership in initiatives, our participation in forums, and through the publication of press releases. We communicate regularly with our customers and suppliers by attending trade fairs, holding customer and supplier days, conducting surveys and answering inquiries. Our communication with our employees takes place within the scope of development talks, our Idea Management program, internal media, company meetings and employee surveys. We offer plant visits and neighborhood discussions to nearby residents. We also encourage cooperation and exchange with those in science and research through memberships, collaborations, foundations and lectures.

Materiality matrix for SAF-HOLLAND Group



MATERIAL TOPICS

Governance

- 1 Compliance & corporate governance
- 2 Privacy & IT security
- 3 Human rights

Economic

- 4 Safe products
- 5 Customer satisfaction & customer focus
- 6 Sustainable supplier management

Environment

- 7 Innovative & sustainable products
- 8 Energy & emissions
- 9 Waste & wastewater

Social

- 10 Health & occupational safety
- 11 Employee development & training
- 12 Employer attractiveness & employer branding
- 13 Social commitment

1.3 CORPORATE GOVERNANCE AND COMPLIANCE

VOLUNTARY COMMITMENT TO ETHICAL CORPORATE GOVERNANCE

GRI 102-12, 102-18

SAF-HOLLAND S.A. is a company governed by Luxembourg law. Therefore, the management and control of the company deviate from the organizational structure of a German stock corporation. Whereas German corporate law provides for a two-tier structure consisting of a Management Board and Supervisory Board, a Société Anonyme's management structure is based on the one-tier model of the Anglo-American board system.

As a Luxembourg-based Société Anonyme (S.A.) listed solely in Germany, SAF-HOLLAND is not subject to the corporate governance standards in either Luxembourg or Germany.

Nevertheless, the Board of Directors and the Group Management Board are committed to responsible and transparent corporate governance, business integrity, sustainability and ethical values. SAF-HOLLAND has therefore chosen to follow the recommendations and suggestions of the German Corporate Governance Codex on a voluntary basis, to the extent that this is compatible with the corporate laws in Luxembourg and the company's one-tier structure. Our Declaration of Conformity with the German Corporate Governance Codex can be viewed online at <https://corporate.safholland.com/en/company/about-us/corporate-governance/corporate-governance>.

Further information on SAF-HOLLAND's corporate governance can be found in the corresponding section of the Annual Report.

TRUST THROUGH COMPLIANCE

GRI 102-16, 205/103, 206/103, 307/103, 406/103, 408/103, 409/103, 412/103, 418/103, 419/103, 206-1

We define compliance as trust-based, reliable and sustainable corporate governance derived from ethical values. The Board of Directors is responsible for compliance with the law and the company's policies and seeks the same level of compliance from the subsidiaries.

We use our Compliance Management, Compliance Unit, Compliance Committee and the Code of Conduct, to address actual and potential compliance risks. We also consider compliance risks within the scope of our risk management system.

The objective of our compliance management is the establishment and ongoing improvement of preventive measures within the business processes, as well as the early detection and clarification of possible violations. The design and effectiveness of compliance management are subjects addressed by Internal Audit.

In the financial year, we optimized compliance management with new, extensive and automated processes. The focus was on dealing with insider information, securities transactions of executives and the handling of compliance violations. These processes were added to our internal process management handbook and all employees were informed accordingly. We also introduced Rules of Procedure at our subsidiaries. At the level of the S.A. there were further efforts made with respect to the work at the BoD level.

Our Compliance unit serves as the first and central point of contact for compliance issues and at the same time is responsible for implementing compliance management policies. This unit reports directly to the Chief Financial Officer (CFO).

We set up a Compliance Committee in the reporting year whose task is to follow up on indications of potential compliance violations. The Committee consists of permanent members, as well as internal guest members who are invited for specific cases. The standing committee consists of the Data Protection Officer, the Group Chief Accountant and representatives from the Compliance, Corporate Audit Services and Human Resources departments.

The Audit Committee also deals with issues related to compliance management and is staffed by members of the Board of Directors. The Compliance unit and the CFO report regularly

to the Audit Committee about any progress made with compliance issues and any future plans.

To ensure that all employees are involved in the compliance effort, we plan to integrate a compliance-training module into our existing e-learning program. We will also revise our Signature Guidelines and Employee Benefit Policy, as well as our Global Code of Conduct.

GROUP-WIDE CORPORATE CODE OF CONDUCT PROVIDES CERTAINTY OF ACTION

Our compliance requirements are contained in the company's Code of Conduct. The company, its management team, as well as each and every employee are required to abide by this code. There were no known violations of the Code of Conduct during the financial year.

The Code of Conduct regulates (but is not limited to) the following:

- the prohibition of unlawful business practices, such as anti-competitive agreements, bribery, corruption and insider trading
- the prohibition of unlawful discrimination, child or forced labor and infringement of third-party intellectual property
- the right of all employees to fair treatment and adherence to occupational safety guidelines

The Code of Conduct is available in the English and German languages. During the 2018 financial year, we conducted an analysis of the current compliance risks and used these findings to update the Code of Conduct. The revised Code will be introduced and rolled out in the various regions in 2019. The SAF-HOLLAND Code of Conduct is publicly available on our website at <https://corporate.safholland.com/en/sustainability/management-compliance/code-of-conduct>.

PREVENTION OF LEGAL VIOLATIONS

GRI 102-17, 412/103, 206-1, 307-1, 412-1, 419-1

Each year, at all of our locations, we carry out quality audits focused on compliance issues in environmental and social areas, including the aspect of human rights. These audits cover each business unit, as well as our entire workforce.

In 2018, we introduced an electronic whistleblower system to give all employees and external parties the opportunity to report violations within or by the company. Reports can be

made anonymously if desired. Our Compliance unit follows up on all of the tips received immediately. Access to the whistleblower system is available through our website at <https://corporate.safholland.com/en/sustainability/corporate-governance-compliance/report-compliance-incidents>. The whistleblower system is available in the German, English and Chinese languages. This new system was presented to our executives at our 2018 International Meeting and they were encouraged to share that information with their staff.

During the 2018 financial year, SAF-HOLLAND was not aware of any breaches of laws, statutes or regulations in the social or environmental areas. In the economic area, ongoing legal proceedings regarding a suspected breach of competition and anti-trust law in 2018 were still pending at the time of the editorial date of this report. There was no case in which significant fines or non-monetary sanctions were imposed on the SAF-HOLLAND Group.

RESPECTING AND UPHOLDING HUMAN RIGHTS

GRI 408/103, 409/103, 412/103, 406-1, 408-1, 409-1

Respect for human rights is a natural prerequisite for responsible business management at SAF-HOLLAND. We expect each and every one of our employees to be pro-active in protecting human rights so that violations can be ruled out entirely when it comes to our company's business activities. This is a goal that is also highlighted in our Code of Conduct.

The potential risk of any child or forced labor at any of our locations is generally taken into account within the scope of our audits. We do not see any elevated risk of child or forced labor at any of the SAF-HOLLAND Group locations.

SAF-HOLLAND was also not aware of any cases of human rights violations within the scope of its own business activities during the reporting period.

AVOIDING CORRUPTION AND BRIBERY

GRI 205/103, 205-2, 205-3

We are committed to ensuring that all of our locations are free of any form of corruption or bribery. Our position with respect to such activities is also stated in our Code of Conduct. Our "Guideline on Dealing with Benefits to and from Business Partners" specifies the rules that apply to the Group. Generally, employees are prohibited from offering or granting personal benefits in return for consideration or to requesting or accepting these from business partners. Any benefits allowed in excess of EUR 30 are required to be disclosed in the interest of transparency and prevention. We

keep all of our executives regularly informed (at least once every year or as required) about the Group's applicable rules of conduct and policy on corruption through internal channels of communication.

There were no cases of corruption or bribery detected at SAF-HOLLAND or its business partners during the 2018 financial year.

HIGH STANDARDS SET FOR DATA PROTECTION AND DATA SECURITY

GRI 418/103, 418-1

The stringent management of data protection and data security is essential, in our opinion, to secure the long-term confidence of our stakeholders. An extensive process management handbook describing the data protection processes, the IT guidelines for general data security, the proper use of computers and the Internet and the IT concept for emergencies is available at our German locations.

The Data Protection Officer provides support and advice on how to implement data protection requirements and trains employees using our Learning-Management-System. The Data Protection Officer is assigned to the Compliance unit, but reports directly to the company's executive management.

At SAF-HOLLAND, we have established the appropriate internal processes in a timely manner to comply with the requirements of the European General Data Protection Regulation (EU GDPR), which has been in place since May 2018. Our employees and business partners ("contract data processors") are also obliged to comply with the new data protection rules based on supplemental agreements.

A Quick Check was also carried out during the financial year by the employers' association in addition to an external review of our cyber security system to test its vulnerability to unauthorized access. We also plan to develop and automate the workflow to comply with the data protection policies.

SAF-HOLLAND was not made aware of any cases of data leakage, theft or loss of customer data during the 2018 financial year and did not receive any complaints in this respect. A single incident did lead to a data security threat, but the loss of any data was avoided by taking appropriate action.

We provided data protection training to a total of 368 employees in 2018 through our Learning-Management-System.

1.4 RESPONSIBILITY ALONG THE VALUE CHAIN

GRI 102-9, 102-10, 204/103

Our relatively low level of vertical integration in manufacturing makes it easy for us to respond to technical innovations and trends by refocusing our procurement strategy and making changes to our supplier structure. To secure the necessary supply at the best financial conditions available, SAF-HOLLAND maintains a diverse group of suppliers and follows a multi-supplier strategy. When special situations occur, SAF-HOLLAND relies on a proprietary emergency management system that was implemented in the purchasing department.

With the increase in the digitization of products in the truck and trailer sector, SAF-HOLLAND will come into contact with the electronics industry more often in the future. We are already preparing for this by building the digital product expertise necessary for strategic sourcing in procurement.

In 2019, our previously decentralized purchasing activities will be bundled together and managed centrally for the first time. The management of these centralized purchasing activities will be taken over by the newly created position of Chief Procurement Officer (CPO). The CPO will be responsible for all future strategic and operating purchasing activities worldwide.

In the 2018 financial year, a total of 988 suppliers served our locations in the EMEA region, 146 served the locations in the APAC/China region (scope of consolidation: China), and 1,874 served our Americas locations. We made it a point to regionally source the materials needed whenever this was reasonable and possible.

CLEAR REQUIREMENTS FOR SUPPLIERS

GRI 308/103, 407/103, 408/103, 409/103, 414/103, 407-1, 408-1, 409-1

We place a great degree of importance on ensuring that SAF-HOLLAND's high environmental, social and product standards are also upheld by our suppliers at their own sites. We are therefore developing a Supplier Code of Conduct that is intended to clearly state our opposition to unethical business practices such as corruption and child or forced labor and, at the same time, promote a free, fair and transparent marketplace.

Since the majority of our Tier 1 suppliers operate in developed economies that are subject to high regulatory standards, we do not anticipate any of these suppliers posing a significant compliance risk in terms of our social and environmental standards.

To be able to qualify as a supplier to SAF-HOLLAND, candidates are required to undergo a multi-stage admission process that begins with a self-assessment. After evaluating this assessment, selected suppliers are audited locally at their sites by employees from SAF-HOLLAND's quality department.

Our existing suppliers also undergo regular audits; for example, in the 2018 financial year, we audited 17% of our suppliers of production materials in the EMEA region.

There were no breaches of the supply chain principles outlined in our Code of Conduct identified during the year – including negative environmental effects, the use of child or forced labor or violations of the right to freedom of association and collective bargaining.

Number of suppliers to SAF-HOLLAND Group per region

	2018	2017	2016
EMEA region	988	1,005	914
Americas region	1,874	1,923	2,021
APAC/China* region	146	–	–
Of which, new suppliers in the FY			
EMEA region	291	181	155
Americas region	124	391	379
APAC/China* region	7	–	–

* Scope of consolidation: China

2019 will mark the first year that CSR-relevant issues are included in the supplier self-assessment for the EMEA region. Issues in the assessment will include environmental issues (CO₂ emissions and energy consumption), social issues (occupational safety), employee development, the exclusion of child labor, as well as disclosures on compliance management and corporate governance. This expanded self-assessment is intended to be used to conduct supplier evaluations in the other regions in an effort to harmonize our purchasing structures.

Representatives of core processes and support functions form the CSR Council



2. PRODUCTS

Every fleet operator worldwide is faced with the challenge of delivering on time, ensuring customer satisfaction and, at the same time, dealing with massive cost pressure. In this type of environment, it is important to limit downtimes and keep unit costs per mile under control. Accomplishing this requires reliable partners. This is one reason why customers worldwide rely on SAF-HOLLAND products. As the largest listed commercial vehicle supplier in Europe, SAF-HOLLAND aspires to be the most valued supplier of Best-in-Class components, systems and services – which is why we make our products safe, lightweight, durable and competitively priced.

2.1. SUSTAINABLE EXPANSION IN OUR TECHNOLOGICAL LEADERSHIP

The key trends in the transportation sector include alternative drive concepts, digitization, networking and autonomous driving. As a result, our product developers are working on a number of topics such as electro mobility, telematics, sensors, interfaces, big data and their analysis, as well as automated systems.

The ultimate goal of our research and development activities is to optimize our customers' total cost of ownership through innovative products and ensure the efficient operation of their fleets. To do this, we essentially rely on lightweight design concepts and weight savings, which not only reduce operating costs but also increase the vehicles' payloads. We also employ digital solutions to make our products more efficient and, at the same time, more cost-effective to use.

In 2018, we invested 1.8% (previous year: 2.2%) of our sales in research and development. Our expenses, which amounted to EUR 23.9 million, were 2.8% lower than in the previous year (EUR 24.6 million in 2017). At the end of the 2018 financial year, we employed a total of 199 people (previous year: 175) worldwide in the areas of development, design and testing.

In addition to routine market surveys and keeping a sharp eye on market trends, we also communicate directly with fleet operators and vehicle manufacturers on a continual basis. This regular exchange with customers helps us to recognize their needs quickly and immediately incorporate them into our product development. As part of our upcoming materiality analysis in 2019, we plan to carry out a survey addressing product development issues to give our developers an even more detailed description of what our customers are looking for.

We are currently in the process of establishing a standardized innovation management program at the company. During the reporting year, one of the focal points of this project was the development of a product roadmap that links future areas of focus with the availability of product lines over time. This roadmap is continuously evolving as part of a dynamic development process.

In 2018, SAF-HOLLAND presented its innovative new products to a broader public at the IAA Commercial Vehicles – the world's largest trade fair for this industry. An overview of the IAA product presentations is available at <http://iaa.safholland.org/>.

2.2. OUR AMBITION – MAXIMUM PRODUCT SAFETY

GRI 102-13, 416/103, 416-2

SAF-HOLLAND products promise maximum safety on the road. We have clearly stated this ambition, and it applies to all our products. In order to ensure and further increase our high level of product safety, we set ourselves strict guidelines and ensure these are met, for example, through product conformity tests at external testing institutes to make sure our products fulfill the regulatory and safety-relevant approval requirements.

Multi-year overview of research and development

	2018	2017	2016	2015	2014
R&D expenses including capitalized development costs (in EUR millions)	23.9	24.6	23.4	24.6	21.9
R&D ratio (expenses in % of sales)	1.8	2.2	2.2	2.3	2.3
Number of employees in the areas of development, design and testing	199	175	192	191	171

PRODUCT EXAMPLES



The **HOLLAND FW35TT** fifth wheel was specially developed for terminal tractors. The TwinLock design helps make coupling operations quicker and safer. The new double-acting air cylinder offers more coupling security via an integrated “lock-down” mode that is automatically activated when the driver releases the trailer brakes. The fifth wheel has additional ribs built into the kingpin throat area and an enhanced bridge for significantly higher load capacity. The additional reinforced cover plate made of a high-strength steel alloy also extends the life of the fifth wheel.



The new **SAF INTRA CD TRAK** has been optimized for trailers in the 9t standard range for both on-road and off-road applications and was specifically developed for tipper and sliding floors at construction sites or landfills. At the touch of a button, the hydraulically driven trailer axle supports the tractor as a traction aid on inclines and difficult terrain. The special motor develops the power required precisely where it is needed. The powered axle carries the full axle load and is able to transmit the entire drive torque. The motor is not only very durable but also low maintenance, giving the new trailer axle a long service life.

Our high standards and strong commitment go beyond the regulatory standards. In the year under review, all of our products met the legal safety standards, and we were not issued any warnings or fines.

QUALITY TESTING ALONG THE VALUE CHAIN

We follow a holistic approach to quality management, and we do this along the entire value chain – from the design, testing and production phases to the final delivery to the customer. All product categories are continuously monitored for any potential improvements that can still be made to our product safety. We also require our suppliers to comply with strict standards and review them regularly (see Chapter 1.4).

Multi-stage quality checks ensure the safety of products even as they go through the development phase. Typical quality checks range from failure mode and effects analysis (FMEA design), virtual FEM simulations (finite element method) and calculations, to testing applications in the vehicle on test tracks and field trials under real world conditions. We are also working on finding a correlation between the calculations in computer-aided engineering (CAE) and experimental testing with real-time continuous load simulations. This involves a global comparison of the trial to CAE test results in extensive field trials.

SAF-HOLLAND is also involved in a variety of working groups and committees such as The American Trucking Association's TMC (Technology & Maintenance Council), the VDA (German Automotive Industry Association) and CLEPA (European Association of Automotive Suppliers).

The safety and quality of our products are controlled during the manufacturing process through our proven quality management system based on internationally recognized norms and standards. As part of our quality management system, we apply specially designed monitoring mechanisms, carry out tests and implement individually adapted measures at each stage of production. 72% of our 25 production sites are certified according to the ISO 9001: 2015 quality management standard. An overview of our site certifications is shown on page 47.

ZERO-DEFECT STRATEGY MOVES SUCCESSFULLY FORWARD

SAF-HOLLAND has been pursuing a zero-defect strategy since 2016 as part of an effort to minimize the occurrence of product errors. To come as close as possible to our target of “0 errors”, we had the various departments work even closer together in 2018 to come up with strategies and courses of action to generate added synergies.

PRODUCT EXAMPLE



The trailer telematics solution **TrailerMaster**, which was acquired in the reporting year through the acquisition of Axcend Ltd., makes our products even safer and allows fleet operators to get the most from their resources. The key integrative functionalities include the lighting function control, the load test and optimization, the maintenance condition check, the data evaluation from the tire pressure monitoring system and EBS, as well as the GPS data transmission for trailer tracking. Data transmission and evaluation is also possible in an uncoupled state. The brake system's patented performance data, and status evaluation even eliminates the need for testing on the brake test bench due to its reliability and recognition by the authorities in Great Britain. In addition, the TrailerMaster offers a maintenance planning tool that automatically informs the fleet manager when a trailer needs to be routinely serviced, or the tires need to be checked. A newly developed status display shows the current vehicle status of each fleet trailer in the form of a traffic light system and thus indicates when action is required.

We also created the role of “Service Analyst” in 2018, which is the interface between the purchasing, quality and development departments. The Service Analyst evaluates the field results and derives potential measures for improvement. These recommendations flow into the development process and are passed on to suppliers to form a continuous optimization process that helps reduce errors in the different areas. The data emerging from the components are evaluated and discussed regularly at interdisciplinary round tables.

2.3. SAF-HOLLAND PRODUCTS REDUCE FUEL CONSUMPTION

GRI 302/103, 305/103, 302-5, 305-5

We strive to reduce the environmental impact – such as greenhouse gas emissions – from our products as much as possible throughout their lifecycle. With our consistent use of lightweight construction, we reduce fuel consumption and thereby the CO₂ emissions of our products during their service life. This has a substantially positive effect on the

sustainability performance of our products, as shown by the life cycle assessment of the SAF Intra Disc Plus II Integral. The assessment revealed that 97% of the environmental impact of our axle aggregates during their service life is a result of the combustion of diesel fuel. An overview of SAF-HOLLAND's efforts to achieve continual weight reduction is shown by the example using a brake system in the figure on page 23.

At SAF-HOLLAND, sustainability at the product level means maintaining the product's functionality over its entire ser-

PRODUCT EXAMPLE



We developed the **SBS 2220 H0** disc brake (available from Q1 of 2011 until Q4 of 2018) and the **H01** disc brake (available since Q1 of 2019) in close cooperation with the Swedish brake system specialist Haldex. By optimizing the brake caliper, we have been able to reduce the weight by 33 kg or in combination with a new hub design by 60 kg per trailer compared to the BI9-22W reference system (see figure on page 23). The brake pads remained the same, as did the superior brake performance and long service life. After these improvements, approximately 12.8 million gallons of diesel fuel were saved by the trailers produced in the period 2011-2018, which is equivalent to an annual CO₂e (carbon dioxide equivalent) footprint of around 875 households (in Germany).¹

vice life and ensuring that spare parts are continuously available. This is why we place a high importance on longevity and ease of repair as early as in the product development phase. We also help to bring down the customer's total cost of ownership (TCO) over the longest service life of our products possible. This also involves reducing the use of the primary raw materials, which not only has a positive impact on our upstream value chain but also reduces waste. One of the changes we made this year to further improve the lon-

gevity of our products, was to replace zinc metal spraying with a corrosion-protective powder coating.

We are currently carrying out simulations on the operating strategy of our e-mobility components and the resulting reduction in fuel consumption. This will enable us to measure the future viability of our product range so that we can

demonstrate the advantages of our products to our customers in an even more transparent way.

We also work together with our customers and suppliers on optimizing product-related sustainability criteria within the scope of strategic partnerships.

An example of weight reduction in the SAF-HOLLAND product world

Reference:
IU25/2000 33 BI9-22W



History of the weight savings per semi-trailer achieved from improvements made in the period 2010-2020. The reference system selected was INTRA IU25/2000 33 BI9-22W. By optimizing the brake caliper in close cooperation with Haldex, it was possible to save 33 kg of weight per trailer as of Q1 2011 by introducing the SBS2220 H0 model (as of Q2 2015: also K0, Knorr Bremse AG). Further optimization allowed for an additional reduction in the trailer's weight of 27 kg by means of the caliper SBS2220 H01 in combination with a new hub design starting with Q1 2019. The combination of a new brake and a new wheel head will result in further weight savings of 8 kg as of Q4 2020. As a result, it was possible to reduce the trailer's weight by 68 kg compared to the reference system.

¹ Assumption: 11.6 t of CO₂e per citizen according to UBA-CO₂-calculator, two persons per household in 2017 according to Destatis, three axles per trailer with an annual distance traveled of 120,000 km (lastauto omnibus trade journal 2018), a lifecycle of seven years (SAF-HOLLAND), a less consumption factor highway of 0.059 l 100 km⁻¹ 100 kg⁻¹ (Ricardo 2010/15) and diesel Well-to-Wheel data (thinkstep GaBi 2019).

PRODUCT EXAMPLE



The **HOLLAND FW3214-W** is the first 14 t frame-integrated fifth wheel that was developed in close cooperation with Mercedes-Benz Trucks. The fifth wheel coupling for the Mercedes-Benz Actros and Antos trucks, featuring coupling plates made of nodular cast iron, offers a complete, weight and load-optimized solution. By positioning the coupling directly inside the vehicle frame and matching it to the tractor as best as possible, it achieves a significantly higher level of payload potential compared to similar products. The product distinguishes itself from others through its use of load- and wear-optimized sliding plates. It is also low-maintenance and service-friendly, and can be safely and comfortably operated with one hand.

2.4 DIGITAL INNOVATION – SAF-HOLLAND MAKES THE TRAILER SMART

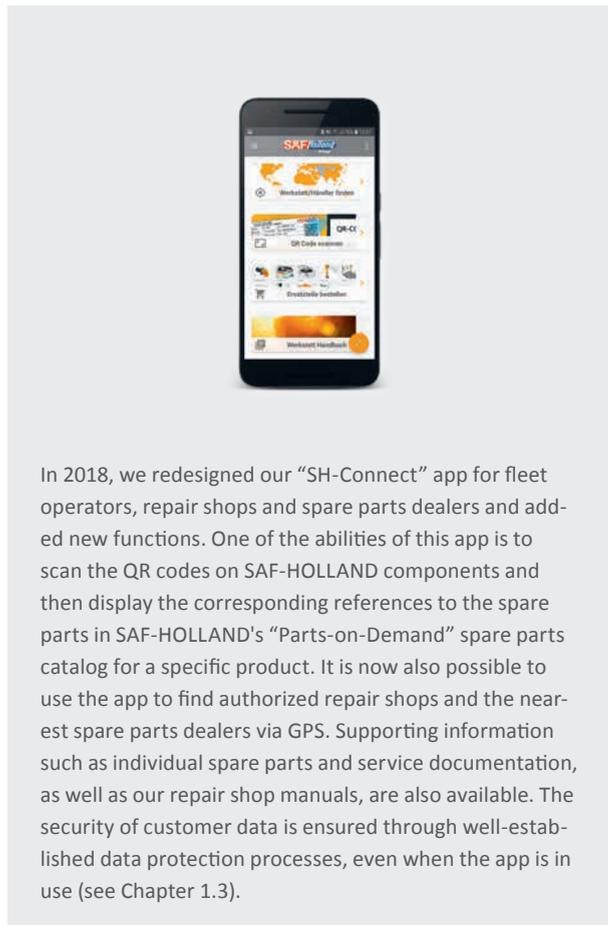
While digital applications have already been established in the automotive product world, the digital transformation in the commercial vehicle sector, with its long innovation cycles, is taking more time. A growing number of customers in this segment are also tapping into the advantages of digital products. Telematics solutions provide fleet operators with added transparency when it comes to their fleets. Fleet operators, in turn, take this knowledge and make themselves more competitive.

SAF-HOLLAND has responded to the arrival of digital transformation in the transportation industry by setting up its own digital team. One of the tasks of this team is to identify and explore important areas for product digitization. The digital team is also responsible for developing digitally focused lighthouse projects. By undertaking these activities, we are also breaking new ground and promoting the digital networking of commercial vehicles with their users. We have already been able to expand our core mechanical capabilities through the addition of electronic and sensory el-

ements that add value in terms of safety, reliability and usability for a large number of our products. SAF-HOLLAND works closely with its customers to ensure that the products developed are compelling and meet customer requirements.

All of the initiatives at SAF-HOLLAND aimed at promoting the link between mechanics and electronics fall under the headline “SMART STEEL – ENGINEER, BUILD, CONNECT.” During the 2018 financial year, we made further progress on the development of new, digitized products. Our focus was once again on autonomous coupling systems, language assistance (based on bi-directional voice control), the integration of augmented reality for repairs as well as trailer axles with electric drives for recuperation. We also continued to build our expertise in 2018 through strategic acquisitions such as the British digital trailer specialist Axscend Ltd. (see Chapter 1).

PRODUCT EXAMPLE



In 2018, we redesigned our “SH-Connect” app for fleet operators, repair shops and spare parts dealers and added new functions. One of the abilities of this app is to scan the QR codes on SAF-HOLLAND components and then display the corresponding references to the spare parts in SAF-HOLLAND’s “Parts-on-Demand” spare parts catalog for a specific product. It is now also possible to use the app to find authorized repair shops and the nearest spare parts dealers via GPS. Supporting information such as individual spare parts and service documentation, as well as our repair shop manuals, are also available. The security of customer data is ensured through well-established data protection processes, even when the app is in use (see Chapter 1.3).



Training courses at the SAF-HOLLAND Academy provide up-to-date know-how on aggregates, axles, fifth wheels and brake systems using a multitude of repair stations.

2.5. A STRONG CUSTOMER-ORIENTED CULTURE

Close proximity to the customer is one of our key concerns. Our global network of distribution centers helps us to ensure that we can quickly and reliably deliver our products to customers and service points at all times.

Our sales and product management teams work together to record the important parameters that emerge from their interactions with customers. These parameters are later discussed in inter-departmental meetings and taken into account during the development process. We also align our joint sales efforts to our customers' needs. Crucial factors for our OEM customers include product price and safety, as well as timely and error-free delivery. Error-free spare parts identification (also via the QR code) and a convenient ordering process, such as our "Parts-on-Demand" system, are important for our aftermarket customers. Our in-house repair manuals and videos support repairs.

In the case of our fleet customers, a dense, worldwide service network is just as crucial as the error-free delivery of spare parts when it comes to minimizing vehicle downtimes. Service customers appreciate a simple process for handling warranty claims, a solid product training program and the incorporation of knowledge about what is happening in the field.

Periodic customer surveys provide us with information about the success of our customer-oriented approach. In the 2018 financial year, the findings from the last survey were allocated to the different customer groups and integrated accordingly into the ongoing processes.

SATISFIED CUSTOMERS THROUGH OPTIMAL CARE AND TRAINING

We use our communication with our customers to assess their level of satisfaction and adapt our customer service where necessary. Customer communication takes place in the context of surveys, plant tours, trade fairs, open house days and training. The “SH-Connect”-App also supports the communication and exchange of data with our customers digitally.

At SAF-HOLLAND, we attach great importance to customer training because it gives us an opportunity to instruct clients on the proper maintenance, use and repair of our systems and to inform them specifically about our new products and components. We also offer basic and advanced training programs on selected topics in the areas of service, spare parts, technology and wholesale.

We can also simulate everyday situations that can occur in automotive engineering and in the repair shop through a hands-on approach using training trailers equipped with components from all types of assemblies in the SAF-HOLLAND product range. The training courses take place at our training center, which was opened in 2016, or they are held at our SAF-HOLLAND Academy in Aschaffenburg (see page 25), or at regional education centers. A total of 144 participants completed training at the SAF-HOLLAND Academy in the reporting period.

In 2018, our training program was expanded to include the modules “SERVICE Advanced Course”, “SYSTEM TRAINING – Trailing and Positive Steering Axles”, “SYSTEM TRAINING – Powered Axles (SAF-HOLLAND TRAK)” and “BRAKE TECHNOLOGY Repair”.

3. CORPORATE ENVIRONMENTAL PROTECTION

At SAF-HOLLAND, preventive environmental protection is a core element of corporate responsibility. We make it our utmost priority to avoid environmental risks and use energy and raw materials sparingly at all locations worldwide. We create ecological added value through our efficient processes and closed resource cycles and, at the same time, reduce our costs.

3.1. ENVIRONMENTAL MANAGEMENT – THE PROCESSES AT A GLANCE

GRI 302/103, 303/103, 305/103, 306/103

The direct environmental impact of SAF-HOLLAND's production is comparatively low. The environmental effects of our products arise during their use. We therefore feel we have a responsibility to develop innovative products with the minimum ecological footprint possible (see Chapter 2.3).

Corporate environmental protection includes both the efficient use of resources in production and the continuous analysis and optimization of processes to determine their effects on climate and environment. We concentrate on avoiding and minimizing any potential environmental impact through our use of integrated and additive technologies. We place our focus on the recycling of operating and auxiliary materials and the most economical use of energy. We also use systematic control to minimize wastewater, exhaust air, exhaust heat and waste materials in our production processes.

In the reporting period, we developed an integrated quality, environmental and energy policy that we plan to implement at our German sites in 2019. By interlinking these sub areas, the various management system requirements and their potential interaction can be managed appropriately so that targeted approaches can be derived for optimizations.

In order to comply with the various environmental regulations, we define the targets and measures to reduce environmental pollution decentrally at the respective locations. Our regional Environmental Management Officers are assigned to the HSEQ department. Environmental management requirements are written site-specifically in the process management handbook.

A total of 48% of our worldwide production sites are currently ISO 14001 certified. In the 2018 financial year, one of our primary activities was the nationwide certification

of SAF-HOLLAND's German locations according to the ISO 14001 environmental standard. We also used our Learning-Management-System to inform employees about the importance of this process and raise their awareness about this topic. In the medium term, we plan to have all of our major production sites certified in accordance with ISO 14001. An overview of our site certifications is shown on page 47.

3.2. MEASURING ENERGY DATA FOR MORE TRANSPARENCY

GRI 302/103, 302-1

Our energy use is mainly production-related with the greatest use coming from the operation of kilns, heating systems, machines, suction devices and compressors.

SAF-HOLLAND voluntarily adheres to the agreement made between the German Federal Government and German industry for increasing energy efficiency. Our locations in Besenbach, Aschaffenburg and Singen are certified according to the DIN EN ISO 50001 energy management standard. Based on a rolling two-year target period, we set realistic targets for the reduction of our total energy usage according to the current trend in energy data. We are currently measuring the progress we are making at our German sites using the relative indicator "energy consumption per axle produced". Because the non-producing Aschaffenburg locations were included within the scope of the energy management system during the reporting period, our energy consumption per axle produced increased, and we failed to meet or 5.25% savings target. Since the implementation of the energy management system at our German sites in 2012, we have reduced our relative energy consumption by 33%.

In order to optimize our material and energy flows it is essential that these flows are fully transparent. This is the reason we have been collecting the electricity and gas consumption data from our German locations using a special measurement concept since 2015. We are currently expanding our meter infrastructure to enable us to collect an even more comprehensive base of data on our energy use at the highest resolution possible.

To reduce our energy usage, we are not only increasing the efficiency of our processes but have our main focus on the process peripherals and the building envelope. We also make it a point to involve our employees in communicating the topic throughout the company and identifying any fur-

ther potential for improvement. The continuous monitoring and feedback from our production staff, for example, helps us to detect and eliminate compressed air leaks more quickly. Our employees receive their training from our Learning-Management-System. Our Energy Management Officer creates the individual mandatory training modules. We also teach trainee awareness about how to use energy responsibly. As so-called “energy scouts”, we have our trainees analyze the company's energy usage as part of a training module to see if they can discover any potential for reduction.

ACTIONS TAKEN IN THE REPORTING YEAR

We carried out a material flow analysis at our Bessenbach location and gained valuable insights, by means of Sankey diagrams, into the main drivers behind our use of energy (see page 9).

In 2018, we replaced refrigeration appliances containing CFCs at all our German sites with new energy-efficient appliances that use alternative refrigerants. We will also be gradually replacing older equipment used in production with new, more energy-efficient machines.

We are building a new administration building at the Bessenbach site in compliance with the requirements of the German Energy Saving Ordinance (EnEV). This building will be heated by an energy-efficient air-heat pump that will be supported by a gas condensing boiler at low outside temperatures. We will also install a ventilation system that uses creek water for cooling. Our lighting concept features a day-light-dependent lighting control. The construction of the new building is scheduled for completion in the summer of 2019.

Energy usage

[MWh]

	2018*	2017**	2016**
Primary energy usage	58,818	54,788	67,631
of which natural gas	57,779	53,994	66,742
of which liquid fuel	1,039	794	889
Secondary energy usage	47,949	47,348	48,581
of which electricity	46,710	45,755	46,613
of which bought-in district heating	1,239	1,593	1,968
Total energy usage	106,767	102,136	116,212

* Scope of consolidation: Germany, United States, Canada, Turkey and China (Xiamen)

** Scope of consolidation: Germany, United States, Canada

The Group's most important source of energy is natural gas with a share of 54%. The electricity consumption on a pro rata basis is 44%. At our German sites, 82% of the electricity consumed stems from renewable energies.

3.3. SYSTEMATIC DETECTION OF EMISSIONS IN THE AIR

GRI 305/103, 305-1, 305-2, 305-5

Energy use is SAF-HOLLAND's largest source of greenhouse gas emissions. Consequently, we see this as our greatest leverage for our CO₂ reduction. The emissions from our sites that go directly into the air result from the burning of fossil fuels, especially natural gas (Scope 1). Indirect emissions (Scope 2) represent all of the emissions associated with bought-in energy, such as electricity and district heating. Other indirect emissions (Scope 3) arise as a result of our business activities in the upstream and downstream processes, for example, through the use of our products. We do not yet gather data on Scope 3 emissions. However, we do plan to include the key items in our reporting in the future.

ACTIONS TAKEN IN THE REPORTING YEAR

Our aim is to reduce the emissions caused by the company's own fleet by increasing our use of alternative drive systems and, at the same time, by tightening our own standards. In view of this, we introduced a new company car policy in the reporting year that sets emission limits for each hierarchy level. We also encouraged our drivers to drive in a more energy and fuel-efficient manner. In addition, we expanded our fleet of electric vehicles for internal plant traffic.

To improve the air quality at the Bessenbach production facilities, we replaced further diesel forklifts with electrically powered forklifts. We also introduced a call system for our truck fleet in order to make delivery logistics and incoming plant deliveries more efficient (“Yard Management”). These measures will help us save diesel fuel and reduce greenhouse gas emissions. The use of combined transport in Alpine transit also makes our logistics more environmentally friendly (see page 7).

In an effort to contribute to the global reduction of greenhouse gases beyond optimizing our own business activities,

we were able to offset emissions of 1,040 t CO₂ in 2018.² We accomplished this through our participation in the “Plant for the Planet”, initiative, where we donated the funds needed to plant 25,000 trees on the Mexican peninsula of Yucatán (in addition to the 79,000 trees we have already planted there). Through our longstanding support of this project, we have already been able to offset a total of 2,620 t CO₂ (see page 8).

In 2018, we calculated our level of greenhouse gas emissions for the first time based on the internationally recognized rules of the Greenhouse Gas Protocol. In the future, we plan to present all of our emissions data based on this calculation to ensure proper comparability and make our progress transparent. In addition to recording our location-based emissions, we also plan to compute and present market-based emissions.

Greenhouse gas (GHG) emissions

	2018
[t CO ₂ equivalents]*	
Direct GHG emissions (Scope 1)	11,980
of which natural gas	11,701
of which liquid fuel	279
Indirect GHG emissions (Scope 2)	22,327
of which electricity consumption	22,046
of which district heating	281
Total direct and indirect emissions (Scope 1 and 2)	34,307

* Scope of consolidation: Germany, United States, Canada, Turkey and China (Xiamen)

3.4. RESPONSIBLE WATER USAGE

GRI 303/103, 303-1, 303-2, 303-3

The production activities at SAF-HOLLAND are generally not very water intensive. The use of water in the production of our products is largely determined by the coating processes. Parts of these processes take place internally and, at some locations, they are outsourced. Water is also used for cooling and washing processes.

The water is taken from the public drinking water system. As a rule, SAF-HOLLAND uses the water resources sparingly. Processes for saving water through recycling are used where the infrastructure and economics allow. For new buildings, such as at the Yangzhou site in China, water conservation processes are already taken into account in the planning phase. As a result, up to 70% of the water required for the production process can be saved through recycling. The remaining 30% is sent with sanitary wastewater via the

public sewer system to a wastewater treatment plant (see page 10).

Water usage

	2018*	2017**	2016**
[m ³]			
Water withdrawal	131,686	109,065	84,873

* Scope of consolidation: Germany, United States, Canada, Turkey and China (Xiamen)

** Scope of consolidation: Germany, United States, Canada

In 2018, SAF-HOLLAND withdrew 131,686 m³ water from the public water systems.

When we dispose wastewater, we follow legal regulations applicable in the respective country. Irrespective of this, we generally discharge industrial wastewater to a wastewater treatment plant.

3.5. CONSISTENT WASTE MANAGEMENT AND HIGH RECYCLING QUOTAS

GRI 306/103, 306-2

Most of our waste is generated during the production process with the most important waste fraction being metal in the form of shavings and blends. Packaging waste is generated in the form of wood and plastic waste.

We particularly intend to reduce the landfill and hazardous waste created by the production processes. When the production of waste cannot be avoided, qualified waste disposal companies dispose of it. The majority of the waste we produce can be recycled. We ensure that our products' various components have a high degree of recyclability. Because our products are modular and easy to disassemble, individual fractions can be easily separated and sorted for recycling.

Next to reducing the amount of scrap in production, there should also be a reduction in packaging waste related to transport and logistics. We are increasingly focusing on refillable systems and improved disposable packaging. Other ways we significantly reduce the amount of waste include use of wire baskets and reusable plastic boxes for the transportation of our products and components, as well as the reuse of transport securing equipment. In 2019, we also plan to focus on improving our empty container logistics.

At our trainee repair shop in Bessenbach, we introduced the concept of “virtual welding”. With this approach, trainees can learn to weld while saving gas and electricity and without the usual steel and welding wire waste.

² Calculation is based on the assumption that a tree will absorb an average of 10 kg of CO₂ per year over a 20-year life span. Source: doi:10.1038/nature16512

Waste by fraction

[t]	2018*	2017**	2016**
Metal waste	7,465	6,884	6,656
Wood waste	736	548	684
Other	1,641	1,440	1,239
Oils and emulsions	332	288	356
Total waste	10,175	9,160	8,872

* Scope of consolidation: Germany, United States, Canada, Turkey and China (Xiamen)

** Scope of consolidation: Germany, United States, Canada

Hazardous and non-hazardous waste

[t]	2018*	2017**	2016**
Non-hazardous waste	10,104	9,114	8,823
Hazardous waste	71	46	49
Total waste	10,175	9,160	8,872

* Scope of consolidation: Germany, United States, Canada, Turkey and China (Xiamen)

** Scope of consolidation: Germany, United States, Canada

Waste according to recovery or disposal method

[t]	2018*	2017**	2016**
Recycling	9,269	8,259	8,087
Thermal recovery (combustion)	279	42	88
Landfill	627	858	815
Total waste	10,175	9,160	8,872

* Scope of consolidation: Germany, United States, Canada, Turkey and China (Xiamen)

** Scope of consolidation: Germany, United States, Canada

Around 91% of the waste generated in the 2018 financial year could be recycled. The amount of landfilled waste was also successfully reduced through a partial conversion to thermal recovery.

We replace hazardous substances with less dangerous substances wherever possible and technically feasible. Our occupational safety and environmental management teams work closely together on a continuous basis to achieve this. We ensure that hazardous substances can be properly and professionally disposed of at all times and keep our employees up to date on this important issue through a targeted information policy.

In addition, we replaced epoxy resin coatings at our German sites with the environmentally friendlier cathodic e-coating. The hazardous waste that results from this process is no longer sent to a landfill site but is instead sent for thermal recycling.

During the reporting period, there were no reportable environmental incidents or contamination within the scope of SAF-HOLLAND's business activities.

4. EMPLOYEES

4.1. INVOLVING OUR EMPLOYEES FOR LONG-TERM SUCCESS

GRI 102-7, 102-8, 102-10, 102-16, 102-41, 401/103, 405-1

Cultural diversity and flat hierarchies define the corporate culture at SAF-HOLLAND. Our corporate values reflect our commitment to social responsibility and encompass innovation and cost awareness, as well as reliability, respect, teamwork, communication and honesty. These values are the very basis of our activities.

As a company operating in the commercial vehicle industry, SAF-HOLLAND finds itself faced with the same challenges currently confronting the industry – a shortage of skilled workers, demographic change and digitization. Since its emergence in 2006 from the merger of a German and a US company, SAF-HOLLAND has developed into a global operation. With locations worldwide, the topics of internationalization and diversity are naturally important to us. It is also the reason why our human resource activities focus on building a strong workforce and recruiting and retaining well-trained executives and specialists (see Chapter 4.2).

Our employer branding strategy, developed in 2018, takes into account the unique characteristics of our three, and as of 2019 four global reporting regions. As a well-coordinated strategy, it highlights the specific benefits SAF-HOLLAND brings to the regions as an employer and establishes channels of communication necessary to reach regional target groups. Examples of this are our participation in career fairs and presentations at schools in an effort to appeal to young professionals and position SAF-HOLLAND as a desirable employer in the industry. A recently drafted intercultural image campaign is anticipated to give a further boost to our employer branding strategy in 2019.

THE DIGITIZATION OF HUMAN RESOURCES

Digitization is not only having a growing influence on our product portfolio but also affects the company's internal processes. Although technological change presents new opportunities and helps simplify and optimize existing processes, it also places new demands on our employees. To help advance the digital transformation of SAF-HOLLAND's human resources department, our German locations installed a human capital management software program in 2018: the same software program suc-

cessfully introduced at our US locations the year before. This program contains a Learning-Management-System that in the future will enable us to direct our talent management in a more targeted manner. To accomplish this, we created a new "E-Learning Manager" role in 2018.

To prepare our employees for the changes and future developments that accompany digitization, we provide them with a continuous flow of related information and specialized training. Our CEO and CFO have also established an interdisciplinary working group that meets regularly to discuss SAF-HOLLAND's digital transformation.

We employed 3,908 people at the end of 2018. In comparison to the previous year, our workforce had grown by approximately 17%, primarily as a result of the addition of employees from acquisitions in the regions (see Chapter 1.1). We also employed an average of 530 temporary workers per month worldwide in the reporting year.

DEFINED BY INTERNATIONALITY AND CULTURAL DIVERSITY

GRI 405/103, 405-1

To leverage the potential of our diverse workforce, SAF-HOLLAND encourages collaboration and the sharing of information across all of the regions of our business. We launched an international trainee program in 2017, giving graduates an opportunity to gain valuable experience at our various international locations as part of an 18-month training program. We currently have four trainees from China and two from Germany participating in this program.

We give our salaried employees an opportunity to carry out project-related assignments at SAF-HOLLAND's international locations. We also offer preparatory language courses in English, the Group's designated corporate language, to make intercultural communication easier.

As a way to encourage executives from all subsidiaries to personally communicate and exchange information with one another, we periodically host a multi-day "International Meeting". In addition to this, we have developed a multi-cultural workforce training program. As part of this program, interdisciplinary project teams meet for a specific time period at various locations to exchange their best practice solutions for a variety of issues. A particularly close exchange takes place between our Düzce location in Turkey and our

Key employee indicators

Headcount numbers / percent as of December 31, 2018

	2018	2017	2016
Employees*	3,908	3,340	3,242
of which female employees	558	482	454
of which male employees	3,350	2,858	2,788
Region			
Americas	1,751	1,545	1,506
EMEA/I	1,511	1,312	1,235
APAC/China	646	483	501
Type of employment			
Full-time	3,850	3,293	3,163
Part-time**	58	47	79
Age group in %			
Below 30 years of age	19.7	18.4	15.2
30 to 50 years of age	48.8	53.9	53.7
Above 50 years of age	31.5	27.8	31.1
Average age in years	40.0	38.2	40.3
Proportion of women	14.3	14.4	14.0
Average length of employment at company in years	6.8	n.a.	n.a.
Employees covered by a collective wage agreement in %	54.7	n.a.	n.a.
Number of employees with a severe disability***	71	80	63

* Excluding temporary workers

** Fewer number of hours than usual for full-time employees in particular country (e.g., 35 hours in Germany, 40 hours in the US)

*** German locations only

n.a. Not available

German locations. German employees visit the Düzce location regularly to train new, local employees.

As is typical for our industry, we have a low proportion of women (14.3%) in the SAF-HOLLAND workforce. We strive continuously to increase this level and have taken several steps to attract more women to our company and make technical careers more appealing.

We participate in events such as career fairs, Girls' Day, after-school youth and technical programs, as well as in "Jugend forscht", an initiative supporting talented achievers in the Science, Technology, Engineering and Mathematics (STEM) subjects. We do this with the intention of making careers in the fields of mathematics, computer science, natural sciences and technology (MINT professions) more attractive to women in the hope that this will inspire a higher number of women to join the company in the future. Generally, we strive to develop managers within our own ranks, regardless of their gender. When there are candidates with the same qualifications, we encourage the recruitment of women.

In the first and second executive levels below management, our aim is to reach a female quota of 12.5% at our German locations by mid-2022. Due to the low availability of qualified female applicants in the commercial vehicle sector and the lower proportion of women studying for technical careers, we

were not able to reach our target ratio of 9% for women in upper and middle management in the reporting year.

The composition of the Board of Directors remained unchanged in 2018. With two female members on the six-member Board, we exceeded Germany's required female quota of 30% in the reporting period. For more information on diversity at SAF-HOLLAND, please refer to our Group Management Report on page 38.

At SAF-HOLLAND, we consider maintaining equal opportunities and diversity as one of our core tasks. In our view, this involves valuing our employees as individuals, irrespective of characteristics such as age, gender, nationality, ethnic origin, educational background or ability. We see remunerating our employees based on their performance and professional qualifications – regardless of their gender – as a matter of course. At our German locations, remuneration is based on a collective wage agreement, while in the United States remuneration is based on local union agreements.

A FOCUS ON EMPLOYEES

GRI 407/103, 401-2, 407-1

The level of employee satisfaction in the workplace is important to us. To help cultivate a high level of satisfaction, we offer permanent benefits to all employees. Pension plans, for example, are offered at all of our locations. In Ger-

many, we offer pension plans through the employee benefits institution “Versorgungswerk MetallRente” and also offer employment disability insurance. We provide other special benefits through our HR department, such as agreements with retailers and a corporate benefits program for exclusive discounts in online shops. We also feature internal and external offers to promote employee health (see Chapter 4.4).

In 2015, we introduced an idea management campaign called “My Idea”. This campaign is currently underway at our locations in Germany, Turkey and China. Any employee can make suggestions such as how to improve processes or products or for more sustainability. Depending on their potential effectiveness, a responsible manager or an idea committee will evaluate the proposal, and if this evaluation turns out to be positive, the idea is implemented. For ideas with measurable monetary benefits, employees are eligible to receive a financial reward when an idea is successfully implemented. Since 2017, this campaign has focused on a variety of themes, which change annually. In 2018, the focus was on accident prevention.

Trade unions and works councils represent the interests of our employees at all of our locations in Germany and in the United States. However, even at the other locations, SAF-HOLLAND does not stand in the way of freedom of association or collective bargaining. The latter takes place in all locations where this is provided for by external regulations.

4.2. TRAINING AND FURTHER EDUCATION ENSURE A BASE OF QUALIFIED EMPLOYEES

GRI 404/103

The current shortage of skilled workers in many labor markets also poses a challenge for SAF-HOLLAND as it tries to recruit competent employees and train them on a needs-driven, forward-looking basis, and retain them as Group employees for an extended period of time. In working towards our goal of promoting as many specialists and managers from within the company as possible, we have made the qualification and further development of young employees through

training programs, dual study courses and trainee programs a fundamental component of our human resources work. These efforts result in a highly trained workforce and systematically ensure our independence from the external labor market.

At our German locations, motivated junior employees are given the opportunity to qualify for future jobs through their choice of three- or three-and-a-half-year vocational training programs offered in the commercial, industrial and technical areas. The focus within these programs is on careers in technical fields such as mechanical engineering, which is scheduled to include electrical engineering in the future.

We are also setting up a new training center at our Yangzhou site in China with the help of the head of our German training program. This center will enable us to train local employees on a needs-driven basis. In the Americas region, the German model of dual education is not offered.

The company’s Lean Management Officer teaches all trainees about the topic of lean production. So-called “apprentice kaizen teams” are formed who are responsible for implementing different projects aimed at achieving continuous improvements in the individual departments. The key topic in 2018 was the development of occupational safety prevention measures and corresponded closely to the focus topic for this year’s idea management campaign.

By investing in the needs-based education and training of our employees, we are well-prepared for the effects of demographic change. We are also moving ahead with our efforts to transform our existing workspaces to age-appropriate workspaces and the creation of new jobs with better ergonomics for older employees.

In 2018, we employed a total of 55 trainees in Germany. In the industrial area, 20% more trainees were accepted than in the previous year as we strive to meet our long-term demand for skilled workers in that area. In the commercial area, the number of trainees remained the same. For the last several years, all of our apprentices were hired at SAF-HOLLAND under a permanent employment contract.

Initial and continuing education

	2018	2017	2016
Trainee ratio (as of December 31)*	4.2 %	4.7 %	4.5 %
Interns, student workers, dissertation students (as of December 31)*	25	10	8

* Scope of consolidation: Germany

HIGH-LEVEL TRAINING PROGRAMS

Training at SAF-HOLLAND involves learning how to use state-of-the-art technologies, becoming familiar with different project management tools, independently carrying out smaller projects and working within a team. SAF-HOLLAND trainees are regularly recognized for their accomplishments by external associations such as the German Chamber of Industry and Commerce (Industrie- und Handelskammer IHK). We see this as evidence of the overall high quality of our training.

Our training programs themselves are also receiving awards. For example, SAF-HOLLAND was chosen among the best in the automotive supplier industry in a survey carried out by Focus Money magazine's DEUTSCHLAND TEST division entitled "Germany's Best Career Training Companies". The survey evaluated sector-specific aspects such as the success of the training, the remuneration during training, the training quota as well as additional trainee offers in order to assess the quality of training. SAF-HOLLAND was also awarded 5 out of 5 possible stars in the survey "Germany's Best Job Trainers 2018", sponsored by Capital business magazine.

PROFESSIONAL TALENT MANAGEMENT FOR PERSONALIZED TRAINING

GRI 404/103, 404-2

SAF-HOLLAND places particular importance on the aspect of "lifelong learning". Our training programs give our employees the opportunity to develop themselves not only professionally but also personally. In the year under review, we introduced the human capital management software program "SAP Success Factors" at all our German and American locations. This program consists of various individual modules that are implemented step-by-step. The introduction of the Learning-Management-System and the integration of content from our further education programs into this new system were two of the focal points in this area in 2018.

The introduction of this system also laid the essential foundation for the even more effective organization of our further education in the future. The accompanying talent management system is better at taking into account the skills of executives and future executives so that we can support them more intensively in the future and increasingly fill challenging positions from within our own company.

We have a special one-year employee development program that offers our managers and professionals an opportunity to receive individual support based on their own strengths

and career goals. This program includes providing an understanding of management tasks through practice-relevant projects taking an individual's background and experience into account. In 2017/18, 13 employees participated in the personnel development concept at the German sites.

We finance the further training of our employees through a dedicated budget. In 2018, we invested a total of EUR 206,272 in employee development at our German locations (previous year: EUR 194,437). Currently, the Human Resources department manages the budget in Germany centrally. At our international locations, budgets are administrated decentrally by the managers of the individual departments.

4.3. A FOCUS ON EMPLOYEE OCCUPATIONAL HEALTH AND SAFETY

403/103, 403-1, 403-3, 403-4, 403-8

We strive to maintain high safety standards in order to reduce the likelihood of accidents in the workplace to the greatest extent possible. Our goal, which is referred to as "Vision Zero", stands for the complete avoidance of occupational accidents. To achieve this, we use decentralized occupational health and safety management systems based on the applicable local laws that apply to employees and temporary workers alike.

Our Chinese site in Xiamen and our Indian site in Pune are both certified in accordance with the Occupational Health and Safety Management System OHSAS 18001.

The management system at our German sites is coordinated by the HSEQ department. Occupational Health and Safety Officers work at all of our German locations. The Occupational Health and Safety Committee (OHSC), which consists of both employer and employee representatives routinely addresses current safety issues. This Committee decides on which occupational health and safety measures to take and implements them in a timely manner.

ROUTINE REVIEWS FOR ACCIDENT PREVENTION

GRI 403-2, 403-4, 403-5, 403-9

Our workplaces and work processes are evaluated continuously and at regular intervals during inspections and internal audits for occupational health and safety. Any irregularities detected are documented along with the recommended measures and rectified within a suitable time frame.

All SAF-HOLLAND employees are required to identify security risks, to remedy them directly if possible, or to inform their supervisor. Any occupational accidents that occur are documented and analyzed, and targeted measures are implemented to remedy the problems that led to the accident in order to avoid the recurrence of accidents from the same cause.

Currently, most accidents involve finger or hand injuries. The majority of these are minor accidents with little downtime. We use our Learning-Management-System to ensure that employees remain aware of the issues surrounding the protection of occupational health and safety. SAF-HOLLAND also provides information through posters, e-mails and lectures on the topic of occupational safety, as well as about the possible risks and accident hazards in their day-to-day jobs. By providing specific instructions at the workplace, the respective managers see to it that the topic of occupational health and safety is present in everyday life. Particularly important target groups in maintaining employee awareness are the shift supervisors, master craftsmen and foremen, who act as multipliers by conveying the knowledge and setting an example. Safety experts also undergo one-on-one training on an annual basis.

At our German sites in the reporting year, we carried out a risk assessment to measure mental stress at the workplace, in addition to the risk assessments for accident prevention. A moderated process was used to identify relevant points in small groups together with occupational physicians. From this, measures were derived, which we will implement in 2019.

In 2018, we began planning a campaign to help reduce accidents at work, particularly in production. The goal of the campaign is to increase employee awareness and prevent accidents resulting from carelessness, haste or negligence. A special focus is placed on eliminating accidents due to hectic actions. The Lost Time Injury (LTI) key indicator monitors the success of this campaign. A new element is that the occurrence of LTIs is no longer considered negative but instead seen positively as simply a period in which no LTIs occurred. This new element is intended to spark motivation so that employees personally and actively contribute to accident reduction. We expect to launch this campaign in 2019.

Key occupational safety indicators

	2018*
Lost Time Injury LTI (Number of accidents resulting in at least 24h of absence)	55
Lost Time Injury Frequency Rate LTIFR (Number of accidents resulting in at least 24h of absence per 1 million hours worked)	10.1
Fatalities FAT (Occupational deaths)	0

* New scope of consolidation, see page 40 "About this Report".

The effectiveness of our occupational health and safety management is reviewed by means of selected accident statistics. In 2018, 55 workplace accidents occurred at our sites with at least 24h of absence (for the scope of consolidation see "About this report"). In 2018, no fatal accidents occurred throughout the Group.

ENSURING PRODUCTIVE AND HEALTHY EMPLOYEES

GRI 403-6

Maintaining the health of our employees in the long term is one of SAF-HOLLAND's chief objectives. Preserving the health of every employee is not only important to us but also serves the company by bringing down absenteeism, increasing productivity and keeping employees working at the company as long as possible.

At our German locations, we promote the health of our employees in their day-to-day work by offering various additional benefits. We subsidize computer eyeglasses and personalized hearing protection. As part of special medical offers, our employees can use vaccinations or take advantage of specific preventive medical check-ups. The company also has a doctor available.

We actively promote employee health by providing fresh apples at the workplace free of charge. In 2018, for example, we distributed around 5,500 kg of apples via our vitamin stations. Our agreements with fitness studios help employees keep fit in their leisure time at discounted prices.

In the 2018 financial year, we continued to focus on employee health, by promoting the physical activity and mental strength of our employees. An example of this was SAF-HOLLAND'S voluntary payment of the participation fee for the HVB CityLauf Aschaffenburg and its help in organizing running meetups at the locations.

In an effort to detect mental stress in the workplace at an earlier stage and to initiate prevention processes, we conducted a training course for all executives at the German locations in the 2018 financial year in cooperation with B·A·D, a German company for health and safety. Through seminars on the topics of stress and mental stress, we helped our employees face these issues and cultivate an open approach.

5. SOCIAL COMMITMENT

5.1 “IT’S THE WE THAT COUNTS” WHEN IT COMES TO WHAT WE DO AND WHAT WE SUPPORT AT SAF-HOLLAND

Our social commitment with its defined values, commitments and goals, is a central component of our corporate philosophy. We promote social and environmental projects at our locations and strive to ensure that we help those in our society who need it. This is why we support projects that are not necessarily directly related to our business activities. Often we look for projects that meet local needs. Our special focus is the promotion of children and adolescents because it is important to us to make a positive contribution today to help shape the society of tomorrow.

DIVERSE PROJECTS, REGIONALLY DIRECTED

Local sites are responsible for selecting their own projects, as well as determining the scope and financing of the funding necessary. Ideas come primarily from our employees, each of whom has an opportunity to seek support for their suggested projects. At our German locations, this process takes place via our idea management platform called “My Idea”. This is where the unique variety of projects supported by SAF-HOLLAND originates.

The local CSR officers or the local site managers decide whether and to what extent project funding takes place. The CSR Council is the central body that makes the decisions on project funding. The Group Management Board is also involved in this decision-making process.

We let others know about our social activities through our dedicated website for our high-profile “Think Ahead” sustainability program. This campaign is based on three key pillars – “People”, “Energy” and “Environment”. In the 2018 financial year, Think Ahead was awarded the jury's honorary prize for its holistic environmental protection concept and was also recognized in the “Green Ranking” of the German magazine *VerkehrsRundschau* for its commitment to employee development.

SAF-HOLLAND supports selected projects with cash and in-kind donations, as well as through educational campaigns and also offers internships at several different locations. In Bessenbach, we integrate social awareness into our trainee program by taking part in workshops for people with disabilities. We support the commitment of our employees at

SAF-HOLLAND by organizing corporate events and taking part in initiatives such as “Pennies for a good cause”.

5.2 REGIONAL PROJECT HIGHLIGHTS IN THE 2018 FINANCIAL YEAR

In the year 2018, we supported a total of 16 projects in the EMEA and Americas regions. The individual projects are listed on page 38. A selection of these projects is listed here below:

STEM CELLS AGAINST BLOOD CANCER

In November 2018, SAF-HOLLAND organized a registration campaign for the DKMS organization in order to help leukemia patients find suitable stem cell donors. In the spirit of the slogan “Mouth open. Say Ahhhh. Be a donor”, all healthy employees between the ages of 17 and 55 were invited to participate. Registration took place during normal business hours directly at the Bessenbach location with SAF-HOLLAND assuming the registration costs of EUR 35 per person. Altogether, a total of 131 employees registered to take part in this fight against blood cancer.

PRACTICAL TRAINING FOR THE FUTURE

In the US, SAF-HOLLAND promotes the manual skills of high school students aged 16 to 19 years. In order to give young people additional career and job opportunities, certified welders from our company visit the Wylie, Warrenton and Dumas sites and pass on their knowledge in welding technology. SAF-HOLLAND provides the necessary equipment and metal to practice, and the training program lasts for one to two years. In 2018, a total of 50 students participated at the Wylie location, 70 at our location in Warrenton and 40 in Dumas.

EXPERIENTIAL EDUCATION FOR THE ASCHAFFENBURG CHILDREN AND YOUTH HOME

In 2018, SAF-HOLLAND GmbH and employees donated a total of EUR 6,500 to support the work of the curative educational and therapeutic home for children and youth in Aschaffenburg and facilitate an experiential educational program. The children and youth home provides for and takes care of children and adolescents aged 6 to 17 who have problematic ties with their families or developmental deficits, or who are significantly disadvantaged due to constitutional and/or social deficits in their personality development versus others their same age.

CLEAN WATERS AT THE HOLLAND, MICHIGAN SITE

Project Clarity is a community effort to clean Lake Macatawa and restore the biological balance of the Macatawa Watershed. In 1999, a decision was made to reduce the phosphorus content of Lake Macatawa by 70%. In 2013, the Clarity campaign was established for this purpose. SAF-HOLLAND has been supporting this project, located near our Michigan plant, with annual donations of US\$ 100,000 since 2014.

In a multi-phased approach, more than 130 sub-projects have been implemented to remove more than 38,000 pounds of phosphorus from Lake Macatawa every year. In 2018, the spotlight was on agricultural projects, such as planting intermediate crops and landscaping watercourses. Each year, the Agriculture Lunch and Macatawa Water Festival are held to help raise awareness among farmers and individuals about the responsible use of water and water-rich landscapes.

Regional project highlights in the 2018 financial year

No.	Project	Description
1	Pennies for a good cause	The employees of SAF-HOLLAND GmbH rounded down their salaries to the nearest euro for the children's clinic in Aschaffenburg and achieved a total donation of EUR 1,975.77.
2	"BE GREAT: Graduate"	The graduation program "BE GREAT: Graduate" of the Boys & Girls Club in Muskegon Lakeshore, Michigan, encourages kids to stay in school. SAF-HOLLAND Inc. provides financial support, and employees volunteer as mentors.
3	"Care to Learn Program"	SAF-HOLLAND Inc. provided US\$ 5,000 in cash and in-kind donations to educate students at the campus in Warrenton, Missouri.
4	"Road to Success" college scholarships	SAF-HOLLAND Inc. granted four scholarships in the amount of US\$ 2,500 each to employee family members.
5	Experiential education for a children's and youth home	Our employees collected EUR 756.72 in donations for the Aschaffenburg children's and youth home. SAF-HOLLAND GmbH increased this amount to EUR 6,500.
6	Plastic lids against polio	SAF-HOLLAND GmbH supported the association "Deckel drauf e.V." ("Put a lid on it") with a donation campaign for vaccinations against polio.
7	An island escape – sanctuaries for children	SAF-HOLLAND GmbH supported this project with a financial contribution and the establishment of a complex in Bessenbach where children can get help.
8	Educational toys for the local kindergarten	Our employees collected EUR 634.75 for the purchase of new educational toys for the St. Georg kindergarten in Bessenbach. SAF-HOLLAND's management increased the amount to a total of EUR 1,500.
9	"Plant for the Planet"	SAF-HOLLAND GmbH donated EUR 49,000 to enable two climate academies to sponsor a total of 67 students. 25,000 trees were planted. Further information can be found on page 8 and at https://we-think-ahead.de/en/environment/
10	"Project Clarity"	SAF-HOLLAND Inc. has been donating US\$ 100,000 annually to the community initiative for cleaning and restoring the waters of the Macatawa Lake and the Macatawa Watershed since 2014.
11	School lunches	SAF-HOLLAND Inc. has been helping to finance school lunches at four schools near its US locations.
12	Welding program	SAF-HOLLAND Inc. donated welding equipment and metal for welding practice. Certified SAF-HOLLAND welders taught a total of 160 high school students, aged 16 to 19, at the Wylie, Dumas and Warrenton locations.
13	Raising awareness for organ and tissue donations	SAF-HOLLAND GmbH raised employee awareness for organ and tissue donations by distributing information material and organ donor passes.
14	Stem cells against blood cancer	SAF-HOLLAND GmbH organized an employee registration campaign for stem cell donors. 131 employees took part, and SAF-HOLLAND GmbH assumed the related costs of EUR 4,585.
15	Support for disabled workshops	Eight trainees volunteered at "Lebenshilfe Schmerlenbach" and accompanied adults with predominantly mental disabilities for two weeks at work.
16	Christmas cards from UNICEF	By choosing UNICEF Christmas cards, SAF-HOLLAND GmbH donated to the United Nations Children's Fund.

Further information on the projects supported by SAF-HOLLAND can be found on our website <https://we-think-ahead.de/en/people/>.

These diverse projects are largely a result of the high level of commitment of our employees. We would like to thank all of our employees for their tremendous personal dedication that has helped make the “Think Ahead” projects a success.

ABOUT THIS REPORT

GRI 102-12, GRI 102-50, GRI 102-52, GRI 102-54, GRI 102-56

This Sustainability Report includes the separate non-financial statement (NFS) of the SAF-HOLLAND Group in accordance with Sections 315b and 315c in conjunction with Sections 289c through 289e of the German Commercial Code (HGB). A list of the essential non-financial and diversity-related information, as defined by the CSR Directive Implementation Act (CSR-RUG), can be found on page 45. This report also contains additional information on the sustainability activities of SAF-HOLLAND.

The preparation of this report was guided by the standards of the internationally recognized Global Reporting Initiative (GRI) and in accordance with the “Core” option of the GRI standards.

A Communication on Progress (COP) report was integrated into the SAF-HOLLAND Sustainability Report for the first time as a result of SAF-HOLLAND's membership in the United Nations Global Compact initiative as of early 2019. By including this report, we are demonstrating our commitment to the Ten Principles of the United Nations Global Compact on human rights, labor, environment and anti-corruption.

This sustainability report focuses on the priority issues identified in the 2017 materiality analysis. An update of that materiality analysis, which will include the four business regions, is scheduled for 2019.

SAF-HOLLAND is continually expanding the extent of data collected in an effort to encompass the Group's entire scope of consolidation in its future reporting. An overview of all SAF-HOLLAND Group subsidiaries can be found in the 2018 Annual Report on page 21.

It was not yet possible to report all information across the entire Group for the 2018 reporting year. To the extent feasible, this report covers the main business locations in Germany, the United States and Canada as the key locations in the EMEA and Americas regions, and – for the first time in this reporting cycle – the Düzce, Turkey, and Xiamen, China, locations.³ The key figures for the workforce in the chapter entitled “Employees” are reported for the entire Group as far as possible. For key figures reported based on a different scope, the corresponding scope of consolidation is indicated in a footnote.

When adding individual data, deviations may occur due to rounding.

We refrain from using multiple gender-specific references in the report to improve readability and not as a representation of value. All entries should, therefore, be considered gender-neutral.

This report pertains to the 2018 financial year, which is identical to the 2018 calendar year. The editorial deadline was April 15, 2019. The annual Sustainability Report is published in German and English on the SAF-HOLLAND website. Our next Sustainability Report for the 2019 financial year will be published in the spring of 2020.

More information about the company can be found at <https://safholland.com> and in the Annual Report.

³ Our regions were regrouped into the EMEA, Americas, APAC and China regions as of January 1, 2019. The data collected for this report were based on the regional grouping EMEA/I, Americas and APAC/China, which applied until December 31, 2018.

GRI-INDEX

GRI Standard and Indicators	Comments	Page	UN Global Compact Principles
General Disclosures			
GRI 102 Organizational profile			
102-1	Name of organization	12	
102-2	Activities, brands, products and services	SAF-HOLLAND is not aware of any of its products or services not being permitted in certain markets.	12
102-3	Location of headquarters	12	
102-4	Location of operations	12, 47	
102-5	Ownership and legal form	12	
102-6	Markets served	12	
102-7	Scale of organization	12, 31, 47	
102-8	Information on employees and other workers	31	
102-9	Supply chain	18	
102-10	Significant changes to the organization and its supply chain	12, 18, 31-32	
102-11	Precautionary Principle or approach	SAF-HOLLAND follows the Precautionary Principle	Principle 7
102-12	External initiatives	13, 15-16, 40	
102-13	Membership of associations	14-15, 21	
Strategy			
102-14	Statement from senior decision-maker	2	
Ethics and Integrity			
102-16	Values, principles, standards and norms of behavior	13, 16, 31	
102-17	Mechanisms for advice and concerns about ethics	17	
Governance			
102-18	Governance structure	13, 15-16	
Stakeholder Engagement			
102-40	List of stakeholder groups	14-15	
102-41	Collective bargaining agreements	31-32	Principle 3
102-42	Identifying and selecting stakeholders	14-15	
102-43	Approach to stakeholder engagement	14-15	
102-44	Key topics and concerns raised	14-15	
Reporting Practice			
102-45	Entities included in the consolidated financial statements	40; Group Management Report p. 21; Consolidated Financial Statements p. 104 ff.	
102-46	Defining report content and topic Boundaries	The topics shown in the materiality matrix apply to all locations. The relevance of the product themes (see Chapter 2) and the topic "Sustainable Supplier Management" unfolds along the value chain.	14
102-47	List of material topics	15	
102-48	Restatements of information	There were no material restatements of information	
102-49	Changes in reporting	14	
102-50	Reporting period	40	

GRI Standard and Indicators		Comments	Page	UN Global Compact Principles
102-51	Date of most recent report	The 2017 Sustainability Report was published on April 30, 2018.		
102-52	Reporting cycle		40	
102-53	Contact point for questions regarding the report		46	
102-54	Claims of reporting in accordance with the GRI Standards		40	
102-55	GRI content index		41	
102-56	External assurance		40	
Material Topics				
GRI 204	Procurement Practices 2016			
204/103	Management Approach*		18	
204-1	Proportion of spending on local suppliers	Disclosure of the proportion of spending on local suppliers is competitively significant and therefore not reported.		
GRI 205	Anti-Corruption 2016			
205/103	Management Approach*		16-17	Principle 10
205-2	“Communication and training about anti-corruption policies and procedures”		17	
205-3	Confirmed incidents of corruption and actions taken		17	
GRI 206	Anti-competitive Behavior 2016			
206/103	Management Approach*		16-17	
206-1	“Legal actions for anti-competitive behavior, anti-trust and monopoly practices”		16-17	
GRI 302	Energy 2016			
302/103	Management Approach*		22-23, 27-28	Principle 7, 8
302-1	Energy consumption within the organization		27-28	
302-5	Reductions in energy requirements of products and services		22-23	Principle 9
GRI 303	Water and Effluents 2018			
303/103	Management Approach*		27, 29	
303-1	Interactions with water as a shared resource		29	Principle 7
303-2	Management of water discharge-related impacts		29	
303-3	Water withdrawal		29	
GRI 305	Emissions 2016			
305/103	Management Approach*		22-23, 27-28	Principle 7
305-1	Direct (Scope 1) GHG emissions		28-29	
305-2	Energy indirect (Scope 2) GHG emissions		28-29	
305-5	Reduction of GHG emissions		22, 28-29	Principle 9
GRI 306	Effluents and Waste 2016			
306/103	Management Approach*		27, 29	Principle 7
306-2	Waste by type and disposal method		29	
306-3	Significant spills	There were no known significant spills of dangerous substances in the reporting year.		
GRI 307	Environmental Compliance 2016			
307/103	Management Approach*		16	Principle 7
307-1	Non-compliance with environmental laws and regulations		17	
GRI 308	Supplier Environmental Assessment 2016			
308/103	Management Approach*		19	Principle 8

GRI Standard and Indicators		Comments	Page	UN Global Compact Principles
308-1	New suppliers that were screened using environmental criteria	These data were not recorded in the reporting year. In order to introduce a suitable supplier assessment, environmental criteria will be included in the 2019 supplier self-disclosure, starting with the EMEA region. As part of the harmonization of purchasing structures, the group-wide use of extended self-disclosure is planned in the medium term.		
GRI 401	Employment 2016			
103	Management Approach*		31	
401-2	"Benefits provided to full-time employees that are not provided to temporary or part-time employees"		33	
GRI 403	Occupational Health and Safety 2018			
403/103	Management Approach*		34-36	
403-1	Occupational health and safety management system	The system used by our German locations was designed in accordance with the following laws: Occupational Safety and Health Act (ArbSchG), Occupational Safety Act (ASiG), Working Hours Act (ArbZG), Maternity Protection Act (MuSchG), Social Code VII (SGB VII).	34-35	
403-2	Hazard identification, risk assessment and incident investigation		35	
403-3	Occupational health services		34-35	
403-4	Worker participation, consultation and communication on occupational health and safety		34-35	
403-5	Worker training on occupational health and safety		35	
403-6	Promotion of worker health		36	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Suppliers and business partners from the EMEA region who visit SAF-HOLLAND's corporate premises receive an individual safety briefing.		
403-8	Workers covered by an occupational health and safety management system		34-35	
403-9	Work-related injuries		35	
GRI 404	Training and Education 2016			
103	Management Approach*		33-34	
404-2	Programs for upgrading employee skills and transition assistance programs		34	
GRI 405	Diversity and Equal Opportunity 2016			
405/103	Management Approach*		32	
405-1	Diversity of governance bodies and employees		31-32; Group Management Report p. 38 ff.	
GRI 406	Non-discrimination 2016			
406/103	Management Approach*		16-17	
406-1	Incidents of discrimination and corrective actions taken	No incidents of discrimination within the Group were known to SAF-HOLLAND in the reporting year.	17	Principle 6
GRI 407	Freedom of Association and Collective Bargaining 2016			
407/103	Management Approach*		19, 33	
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk		19, 33	

GRI Standard and Indicators		Comments	Page	UN Global Compact Principles
GRI 408	Child Labor 2016			
408/103	Management Approach*		16-17, 19	
408-1	Operations and suppliers at significant risk for incidents of child labor		17, 19	Principle 5
GRI 409	Forced or Compulsory Labor 2016			
409/103	Management Approach*		16-17, 19	Principle 4
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor		17, 19	
GRI 412	Human Rights Assessment 2016			
412/103	Management Approach*		16-17	Principle 1
412-1	Operations that have been subject to human rights reviews or impact assessments		16-17	Principle 2
GRI 414	Supplier Social Assessment 2016			
414/103	Management Approach*		19	
414-1	New suppliers that were screened using social criteria	These data were not recorded in the reporting year. In order to introduce a suitable supplier assessment, environmental criteria will be included in the 2019 supplier self-disclosure, starting with the EMEA region. As part of the harmonization of purchasing structures, the group-wide use of extended self-disclosure is planned in the medium term.		
GRI 415	Public Policy 2016			
415/103	Management Approach*	SAF-HOLLAND generally does not support political parties, politically motivated organizations or politicians.		
415-1	Political contributions	SAF-HOLLAND generally does not support political parties, politically motivated organizations or politicians.		
GRI 416	Customer Health and Safety 2016			
416/103	Management Approach*		21-22	
416-1	Assessment of the health and safety impacts of product and service categories	All products developed by SAF-HOLLAND are tested for their effect on health and safety as part of our quality management.		
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services		21	
GRI 418	Customer Privacy 2016			
418/103	Management Approach*		16-18	
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data		17-18	
GRI 419	Socioeconomic Compliance 2016			
419/103	Management Approach*		16	
419-1	Non-compliance with laws and regulations in the social and economic area		17	
	Material Topic: Customer Satisfaction			
	Customer satisfaction is a key issue for SAF-HOLLAND but is not covered by the GRI standards. On the recommendation of the Global Reporting Initiative, however, this topic is still reported analogously to the GRI standards.			
103	Management Approach*		25-26	
	Determination of customer satisfaction		25-26	

* Based on the standard GRI 103: Management Approach 2016, which includes disclosures 103-1, GRI 103-2 and GRI 103-3 (explanation of the material topic and its limitation, components and assessment of the management approach).



The Ten Principles of the United Nations Global Compact



HUMAN RIGHTS

- 1. Businesses should support and respect the protection of internationally proclaimed human rights.
- 2. Make sure that they are not complicit in human rights abuses.



LABOR

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



ENVIRONMENT

- 7. Businesses should support a precautionary approach to environmental challenges.
- 8. Undertake initiatives to promote greater environmental responsibility.
- 9. Encourage the development and diffusion of environmentally friendly technologies.



ANTI-CORRUPTION

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

This report also includes the Communication on Progress as part of membership of the United Nations Global Compact. For this purpose,

the Ten Principles of the Global Compact were assigned to the GRI standards (see GRI-Index).

Content of the non-financial consolidated statement

Environmental matters	Employee matters	Social matters	Human rights	Anti-corruption and -bribery	Additional matters
CO ₂ emissions	Occupational safety	No matters were identified	Human rights	Anti-corruption and -bribery	Product safety
Pages 22-23, 27-29	Pages 34-35		Pages 16-17	Pages 16-17	Pages 21-22

SAF-HOLLAND is not aware of any material risks that are very likely to have serious negative effects on the aspects stated in the law and related to our business activities, business relationships or our products and services. Non-financial risks are addressed in the

Group Risk Management. Information on this can be found in the Opportunities and Risk Report contained in the Annual Report (see page 63).

IMPRINT

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Legal Disclaimer

This report contains certain statements that are neither reported financial results nor other historical information. This report contains forward-looking statements, which as such are based on certain assumptions and expectations made at the time of publication of the report. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements. Many of these risks and uncertainties relate to factors that are beyond the Group's ability to control or estimate precisely, such as future market and economic conditions, the behavior of other market participants, the achievement of anticipated synergies, and the actions of government regulators. Readers are cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date of this publication. SAF-HOLLAND S.A. does not undertake any obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date of publication of these materials.

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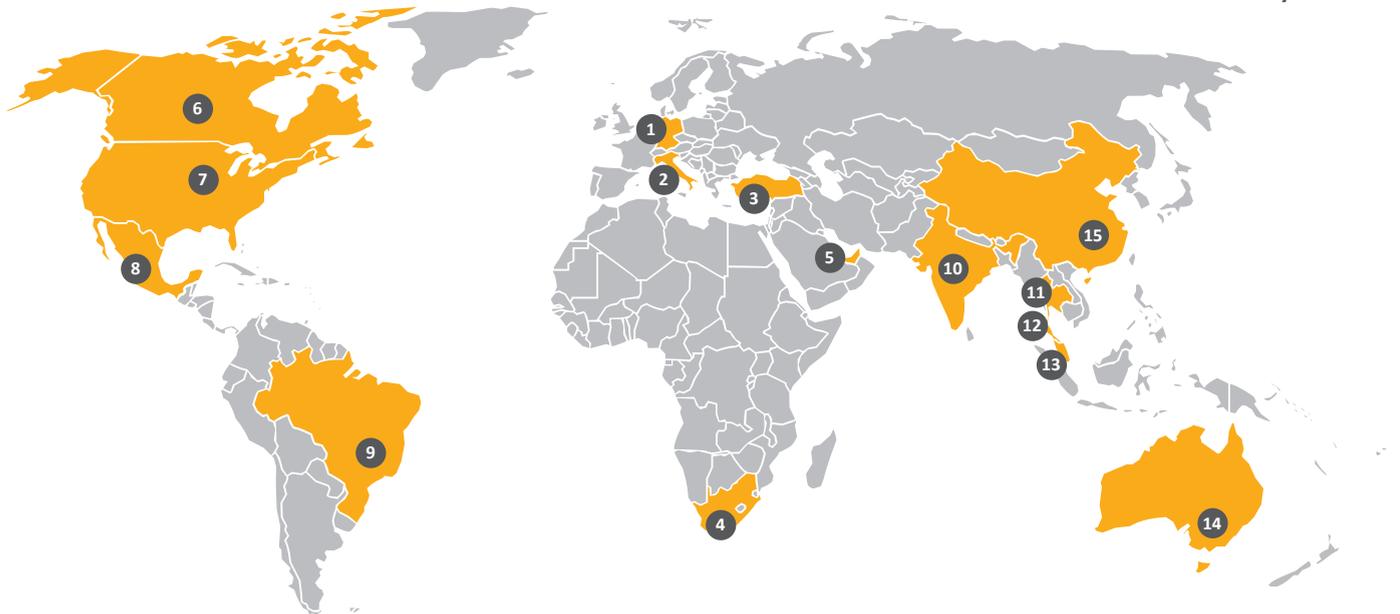
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Production sites and certification overview



EMEA

- 1 GERMANY**
 - Bessenbach-Keilberg ●●●
 - Bessenbach-Frauentgrund ●●●
 - Singen ●●●●
- 2 ITALY**
 - Flero (Brescia) ●●
 - Nave ●●
- 3 TURKEY**
 - Düzce ●
- 4 SOUTH AFRICA**
 - Johannesburg ●
- 5 UNITED ARAB EMIRATES**
 - Dubai ●

AMERICAS

- 6 CANADA**
 - Woodstock, ON ●●●
- 7 USA**
 - Cincinnati, OH ●
 - Dumas North, AR ●●
 - Dumas South, AR ●●
 - Nashville, TN (as of January 2019) ●●
 - Warrenton North, MO ●●
 - Warrenton South, MO ●●
 - Wylie, TX ●●
- 8 MEXICO**
 - Querétaro City ●●
- 9 BRAZIL**
 - Alvorada ●●●

APAC

- 10 INDIA**
 - Pune ●●●●
- 11 THAILAND**
 - Bangkok ●●
- 12 MALAYSIA**
 - Kuala Lumpur ●
- 13 SINGAPORE**
 - Singapore ●
- 14 AUSTRALIA**
 - Melton ●

CHINA

- 15 CHINA**
 - Baotou (until Dec. 31, 2018) ●●●●
 - Qingdao ●●
 - Xiamen ●●●●
 - Yangzhou (starting in the second half of 2019) ●●●●
- ISO 9001
 ● ISO 14001
 ● ISO 50001
 ● OHSAS 18001
 ● IATF 16949

