



ESG Report 2020

Catalyzing positive change

ESG
report
2020

Environmental

Social

Governance



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Message from the CEO

Welcome to the Stahl 2020 Environment, Social & Governance (ESG) report. The COVID-19 pandemic hit society hard in 2020, and Stahl was not immune. However, thanks to the resilience of our people, and some swift action taken early on in the crisis, our company adapted quickly to the changing environment and we emerged stronger than ever. I have never been prouder of the way our people came together as a team during this time.

Increased engagement with stakeholders on ESG was a feature of 2020. With travelling restricted for much of the year, we created a busy program of interviews, presentations, webinars and social media events on topics like sustainable development, life cycle assessment and renewable feedstocks. Helping our partners achieve their own sustainability and societal goals in this way drives us to go further with our own ambitions.

In 2020, we launched the Stahl ESG Roadmap, in which concrete targets for 2023 and 2030 were established for the company with respect to its environmental, social and governance commitments. Stahl's commitment to inclusion and diversity across the organization, as expressed in this roadmap, will result in greater talent retention and superior performance for years to come.

The COVID-19 pandemic has affected millions of lives, but climate change continues to be the greatest existential threat to the planet. In 2020, we made concrete steps to accelerate the move away from using fossil fuel resources in our operations and products. We established targets for solar power sourcing at our manufacturing sites and research into non-fossil fuel technology reached new heights, with the release of two renewable carbon portfolios: Stahl NuVera® and Stahl Relca®Bio™.

If 2020 taught us anything, it's that society and industry will continue to face new challenges. Stahl is committed to being a catalyst for positive change – for customers, supply chain partners and the communities in which we operate – and we continue to view these challenges as an opportunity to create a better future. In short, we believe we can do well by doing good things. I hope you enjoy reading about them.

Sincerely,

Huub van Beijeren, CEO



"In 2020, we launched the Stahl ESG Roadmap, in which concrete targets for 2023 and 2030 were established for the company with respect to its environmental, social and governance commitments."

Introduction to Stahl

If it can be imagined, it can be created

Stahl develops and delivers necessary chemistry that makes everyday materials look good, feel softer, resist scratching, repel stains, and last longer. We provide products and services to high-end industries in Automotive, Footwear, Apparel & Accessories, Architectural & Interior Design, Home furnishing, Industrial Application and Leisure & Lifestyle. We use two primary brands (Stahl and PielColor) to promote our products and services, along with many product trademarks within the portfolios. In close collaboration with our partners, we provide high-performing, low-impact solutions to drive the transition to a fully sustainable value chain and a chemistry based on renewable feedstocks.



Chemistry across the value chain

Our global reach and supply chain

Stahl has 11 manufacturing sites (The Netherlands, France, Germany, Italy, Spain, Brazil, Mexico, USA, India, China and Singapore) and 37 strategically located technical service laboratory facilities and sales support offices in 22 countries. We operate in Argentina, Bangladesh, Brazil, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Netherlands, Pakistan, Singapore, Spain, Turkey and the USA. We are active in over 70 countries.

Stahl manufactures products at sites around the world or at outsourced locations via service agreements. Our raw material suppliers are chemical companies and include most of the major global chemical corporations. In addition to our 1,514 direct suppliers for raw materials in 2020, our supply chain also included 568 suppliers for logistics and 4,965 suppliers for other materials such as work clothes, office suppliers and laboratory equipment.

Commitment to the whole value chain


With 30% of our 1,790 employees dedicated to process innovation, product research, applications development, open innovation and technical service, we continue to focus on solutions that can meet the needs of the whole value chain. In 2020, we increased our engagement with stakeholders on all aspects of ESG. With travelling restricted for much of the year, Stahl created a busy program of interviews, presentations, webinars and social media events on topics like sustainable development, compliance, life cycle assessment and renewable feedstocks. Helping our customers and partners to achieve their own sustainability and societal goals in this way drives us to go further with our own ambitions.

Collaboration for a better world

With our world facing a series of pressing environmental challenges, Stahl believes that the chemical industry can play a key role in enabling high living standards within the planetary boundaries. By working together, organizations across the industry can improve the quality of our products and services, helping to shape a better world for more people.

For nearly a century, Stahl has been collaborating with a range of partners to develop and deliver necessary chemistry. By fostering transparency and working to improve our environmental impact, we have helped protect the communities in which we operate and shape a better chemical industry.

Building on this track record of co-creation, we aim to embrace new technologies and enter new sectors to create solutions that can meet the demands of our changing world. In doing so, we will continue to champion human rights, inclusion and diversity, and the safety of our people.



'Stahl believes that the chemical industry can play a key role in enabling high living standards within the planetary boundaries.'

Stahl's strategic pillars

As we look ahead, we have identified four areas of strategic importance. By applying our focus and efforts to these area's and working with partners throughout the value chain, we strive to raise the bar and deliver more value for our employees, customers, partners, investors, and society at large.



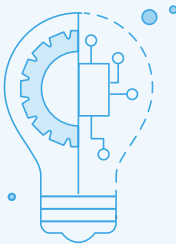
Renewable feedstock

The most significant contribution the chemical industry can make to mitigating climate change is to replace fossil fuel as the raw material in its products. Transitioning to renewable feedstock means eliminating non-renewable carbon resources such as coal, oil and natural gas as feedstocks for organic chemistry. Stahl's efforts to drive renewable feedstock chemistry and support a lower-fossil-carbon economy starts with our own innovation, but also involves technology partnerships and involvement in advocacy groups, like the Renewable Carbon Initiative.



Open innovation

Open innovation is the process of collaborating with external individuals, teams and organizations on the development of an agreed project or to reach a shared goal. In particular, open innovation offers the opportunity to innovate more efficiently, explore new markets, better address customer demands, and improve the environmental impact of our solutions. To do this, Stahl will focus on areas where our capabilities allow us to seize opportunities for positive impact: renewable feedstocks, water quality, and advanced functional chemistry.



Digital transformation

Stahl is introducing a ten-year digital transformation strategy that incorporates everything from unified communications, the internet of things and artificial intelligence to e-commerce and blockchain. This journey will change the way we work with our customers, our supply chain, our investors and our own employees, and help us create more value for our stakeholders.



Sustainable development

Our sustainable development practices are marked by a commitment to social progress, environmental balance and economic growth. We are committed to all 17 Sustainable Development Goals, which were launched by the United Nations as a common 2030 Agenda requiring active involvement of individuals, businesses, civil society and countries around the world. In 2020, we launched a new ESG roadmap with concrete goals for 2023 and 2030.



Stahl at a glance in 2020

We create specialty chemistry for coatings, processing, and treatments of many different everyday materials.

11

Manufacturing sites of which 50% are located in emerging markets

34

Sales offices

1790

Workforce
♀ 25% | ♂ 75%

1,514

materials suppliers from 54 countries

11

R&D Labs

30%

Employees dedicated to innovation, research and technical service

59

Nationalities

4

Stahl Campus® locations

37

application laboratories

9

Centers of Excellence

€669 million

sales revenue

75

Active patent families*
*Including patent applications

Powered by Wendel Group

Markets & products
Automotive | Footwear, Apparel & Accessories | Architectural & Interior Design | Industrial Applications | Leisure & Lifestyle | Home Furnishing

Our products enhance:
Leather | PU | PVC | TPO | Fabric | EPDM | Bio-based substrates

OUR DRIVING VALUES

Cooperation
One team, one task, one Stahl

Responsibility
Always contribute to a sustainable future

Initiative
Go for it!

Imagination
Think beyond boundaries

ESG ROADMAP



STRATEGIC PILLARS

Renewable feedstock

Open Innovation

Digital Transformation

Sustainable Development

OUR COMMITMENTS

SHE
SHE keeps us safe.

Road to zero accidents

SUSTAINABLE DEVELOPMENT GOALS

A responsible organization

A sustainable future

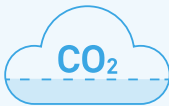
OUR PARTNERSHIPS

Key 2020 results



Swift COVID-19 response

We responded quickly to the COVID-19 pandemic with effective action across all of our global locations. Laboratories and factories remained open during the lockdown periods. The health and safety of our employees remained a priority for us, and every effort was made to ensure their physical and emotional wellbeing during this challenging period.



CO₂ emission intensity reduced by 34%

In 2020, we far exceeded our five-year goal of 10% CO₂ emission intensity reduction. Compared to 2015, we achieved a relative reduction of 34% and an absolute reduction of 37% in our Scope 1 and 2 CO₂ emissions.



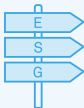
Lower water and energy use

Lower production volumes between March and August 2020 meant a corresponding drop in consumption of water and energy at our sites.



Achieving ZDHC Level 3 Status

In 2020, a total of 1,217 Stahl products achieved Level 3 status in the ZDHC Gateway chemical conformance module for our global leather chemicals product range and for the Pielcolor portfolio.



ESG roadmap

In 2020, Stahl developed an ESG Roadmap. This 10-year plan includes commitments and targets we have established for 2023 and 2030.



Updated SHE Policy

We implemented new criteria for governing and reporting our Safety, Health and Environment (SHE) policy. The safety KPIs in this report reflect the improvements made in recent years: the Total Recordable Incidents (TRI) frequency rate, the Lost Time Incidents (LTI) frequency and severity rate were all lower in 2020 compared to 2019.



Employee Engagement Platform implemented

This year we implemented our new Employee Engagement Platform (EEP), which is designed to encourage employee participation and to foster commitment to our company culture.



Economic resilience

2020 in Stahl was dominated by the COVID-19 pandemic and its impact, which was first felt in China, then in the rest of the world, especially in the second and third quarters of the year. By the fourth quarter, our business activity had resumed to the same levels as 2019 at the same time.

Our ESG roadmap to 2030

Stahl's ESG goal is to achieve a more transparent industry that continuously improves its environmental and social footprint. To achieve this goal, we:

- Report on ESG criteria and set ambitious ESG targets for the company, anchored in the UN Global Compact principles.
- Collaborate with parties throughout the value chain on topics like chemical compliance, natural resource consumption and fair and equitable labor practices.
- Drive an employee culture that is open, engaged, diverse, and inclusive.
- Work with our partners and suppliers to ensure rigorous product stewardship.
- Participate in industry working and advocacy groups to tackle key social and environmental issues, such as climate change and water management.

In 2020, Stahl developed an ESG Roadmap. This 10-year plan includes commitments and targets we have established for 2023 and 2030. These targets are supported by Key Performance Indicators (KPIs) and are split into the three ESG areas below. You can view Stahl's ESG roadmap on our website.

Our key commitments include:

1. To continuously minimize direct environmental impact and carbon footprint
2. To ensure a safe working environment for our employees
3. To consolidate Stahl's ESG leadership position by engagement with influential NGOs and IGOs view on responsible chemistry

4. To nurture diversity and inclusion to continuously improve employee skills and company attractiveness
5. To foster ethical behavior by providing training and robust compliance programs
6. To select and engage with suppliers based on recognized ESG standards
7. To foster sustainable development as a mindset, motivating employees throughout the company.

Accountability against our targets

Stahl is assessed on our ESG performance by a third-party auditor (Deloitte in 2020) selected by Wendel, Stahl's majority shareholder (other minority shareholders include Clariant and BASF). Wendel also monitors our EFPD (Extra Financial Performance Declaration) and Duty of Care and Sapin II compliance.

Our ESG focus agenda

Environment	Social	Governance
Climate change & climate resilience	Health & safety	Ethical behavior
Water	Human capital	Diversity & leadership
Stahl products	Human rights	ESG incentives
Raw materials	Societal commitment	Supply chain



The ESG roadmap and agenda are approved by the Board of Directors and are discussed by the board and Stahl management team at least once a year. The commitments and targets from our roadmap are highlighted in the respective sections throughout the report.

Environmental Impact

Committed to being a catalyst for positive change

for customers, supply chain partners and for the communities in which we operate. Our focus is on reducing the environmental impact of our own operations (including purchased raw materials) as well as that of the value chain into which we provide our products and services.



Life Cycle Assessment categories



Climate Change



Abiotic Depletion



Land Use



Water Consumption



Eutrophication



Acidification



Toxicity



Photochemical
Ozone Formation



Ozone depletion

Life Cycle Assessment

Life Cycle Assessment (LCA) is a methodology that allows the environmental impact of a product to be calculated so that meaningful comparisons and decisions can be made about its environmental impact over the course of its life. The Stahl Life Cycle Assessment contains nine impact categories. These categories are explained in more detail on our website.

Our strategy is to use the LCA methodology to:

- Provide LCA data for 300+ strategic products by 2030
- Build a database of environmental impact data for our product portfolios
- Develop and exchange relevant LCA data with clients as an input for their environmental impact calculations
- Provide technical support for clients on LCA data collection for their own processes and products.

In 2020 we completed the collection of LCA data for 17 strategic products. This data is available to exchange with value chain partners. For 2021, we have set a target to establish LCA data for at least another 30 strategic products.



Our 2030 target is to establish LCA data for 300 strategic products.

Renewable carbon feedstock

For Stahl, renewable feedstock entails the elimination of non-renewable carbon resources such as coal, oil and natural gas as feedstocks for organic chemistry, otherwise known as de-fossilization. We focus on renewable carbon as the main feedstock for our products.

Humankind’s consumption of carbon-based material resources has created a series of interconnected environmental challenges, including climate change and pollution of air, earth, and water. In view of these challenges, the chemicals industry must reduce its dependence on non-renewable resources and deliver necessary solutions that enable sustainable living. Building on our proactive approach to regulatory changes, and using our advanced materials science capabilities, Stahl aims to drive the use of renewable carbon.

Renewable carbon is the terminology used to describe the

replacement of fossil fuels in chemicals with resources that have not been extracted from the earth’s surface (geosphere). Renewable carbon can come from three sources; biomass, captured carbon, and recycled plastics. Stahl’s research into natural resource-based products, like Proviera® Probiotics for leather and bio-based polyurethanes, is directly linked to this movement away from fossil fuels. We currently have more than XX projects in R&D focused on finding renewable carbon feedstock alternatives to petroleum-based chemicals.

Stahl NuVera™ and Stahl Relca®Bio

Stahl NuVera™ and Stahl Relca®Bio are examples of new portfolios of renewable carbon-based products that were launched in 2020. These product ranges are derived either from plant-based biomass (typically vegetable oils or sugars), or from captured carbon sources (for example, CO₂ released from industrial processes is captured and used as a feedstock for the chemical building blocks in our raw materials).

Proviera® - Probiotics for leather™

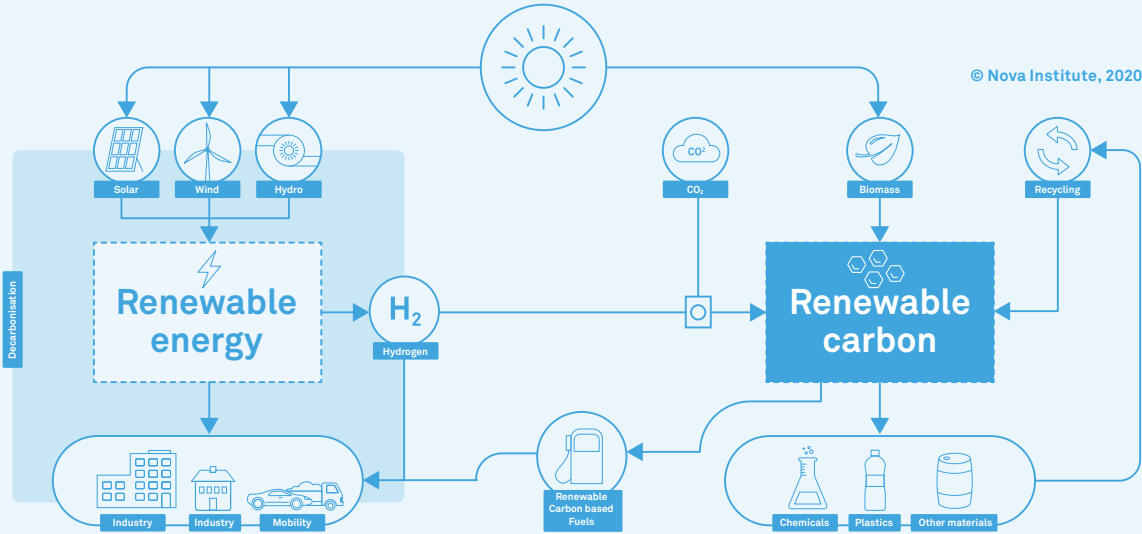
Aligned with our commitment to accelerating the substitution of fossil fuel-based raw materials with Renewable Carbon resources, our probiotic technology for leather uses only biomass raw materials, thereby reducing greenhouse gas emissions and minimizing the impact on global warming.

In 2020, Stahl joined the Renewable Carbon Initiative (RCI) with the aim of helping to accelerate the transition from fossil fuels carbon to renewable carbon for all organic chemicals. More than 100 recognized experts support RCI. More detail on our involvement with RCI can be found here.



Our 2030 target is to increase the renewable carbon content in our purchased raw materials to 10%, with a 2023 target of 5%.

Renewable energy and renewable carbon for a sustainable future



Impact topics

We are continuously upgrading our manufacturing sites and laboratory facilities in order to achieve energy, waste and water efficiencies and to reduce our environmental footprint. To monitor the effectiveness of our mitigation activities, we measure and report on the following impact topics: (1) CO₂ emissions and energy; (2) Water use and pollution; (3) Waste.

Reduced CO₂ emissions by 34% in five years

CO₂ is the most important Greenhouse Gas (GHG) for Stahl. Each year we report our Scope 1, 2 and 3 GHG emissions.

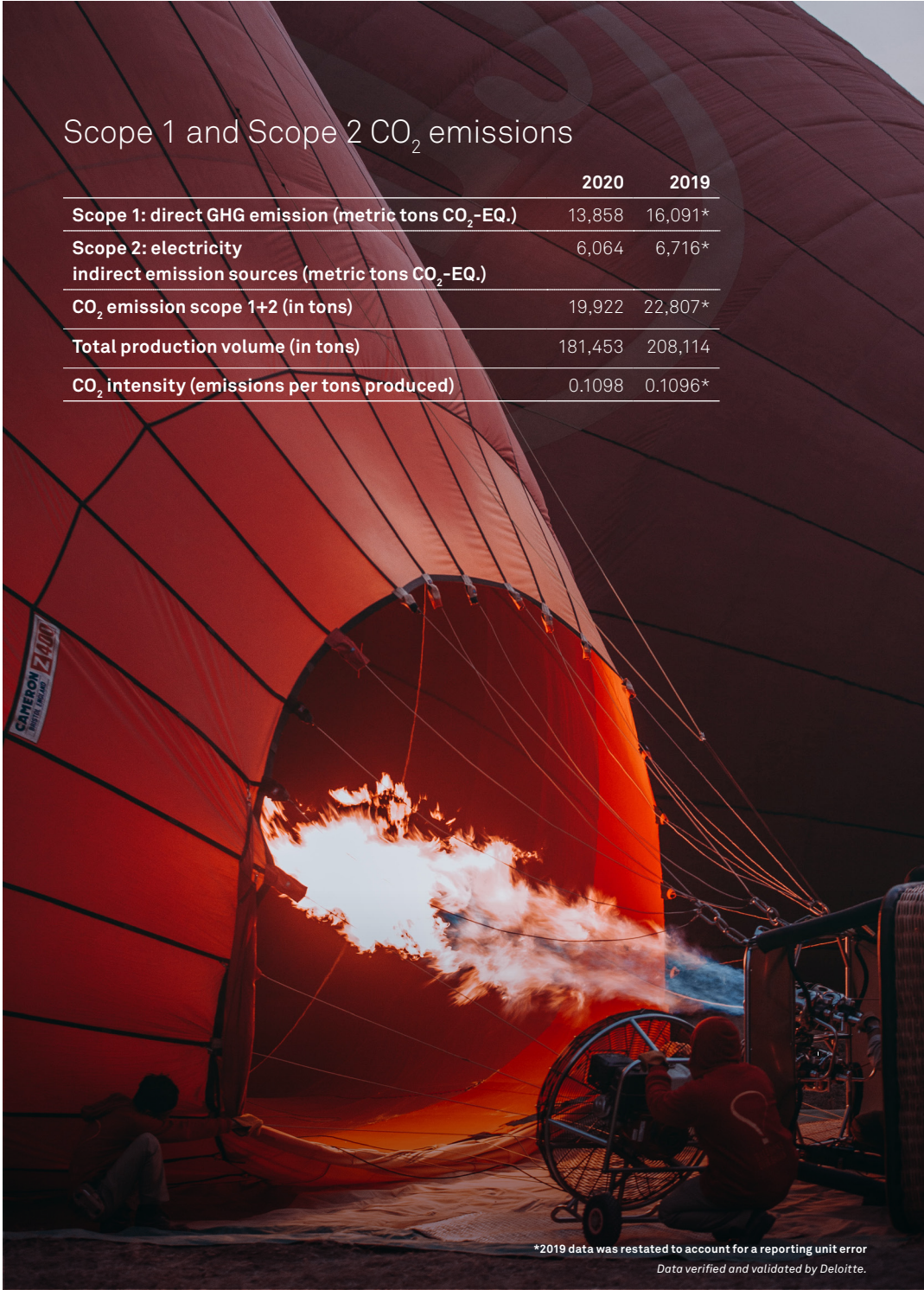
- **Scope 1:** Direct GHG emissions are those from sources owned or operationally controlled by the company: company owned or leased cars, other company vehicles and gas and oil used on site.
- **Scope 2:** Indirect emission sources are those that occur through buying in energy (electricity, steam, heat and cooling) from the grid or district heating or cooling systems.
- **Scope 3:** All indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions.

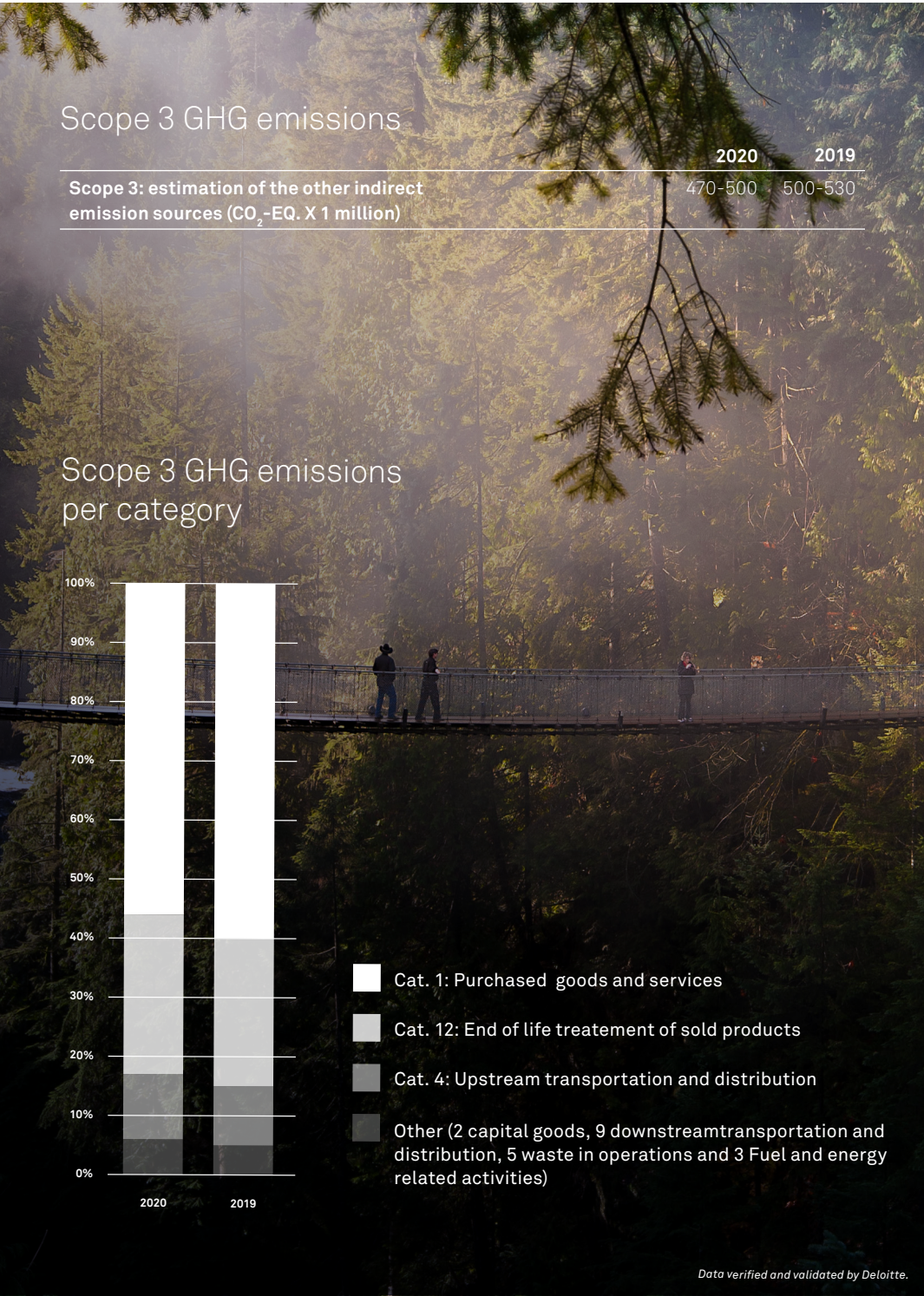
In 2015, we set a goal to reduce our CO₂ emissions per ton produced by 10% in five years. By 2020, we achieved a relative reduction of 34% (per tons produced) and an absolute reduction of 37%. This 2015 goal is aligned with the Paris Climate Agreement—an agreement within the United Nations Framework Convention on Climate Change (UNFCCC), relative to greenhouse gas emissions mitigation, adaptation, and finance.

Our CO₂ emissions are calculated according to the Greenhouse Gas (GHG) protocol. Our manufacturing sites are our main source of Scope 1 and 2 CO₂, burning gas, furnace oil and briquettes (Scope 1) and consuming electricity (Scope 2).



Our 2030 target is to reduce our Scope 1 and 2 CO₂ emissions by 2% each year.





Indirect (Scope 3) CO₂ emissions


Stahl estimates and reports on Scope 3 indirect greenhouse gas emissions, following the GHG Protocol “Corporate Value Chain (Scope 3) Accounting and Reporting Standard (Chapter 11)”. Quantification of scope 3 emissions is often based on assumptions and estimated calculations, given the unavailability of data either downstream or upstream in the supply chain. Focusing the scope of the calculation and selecting the most relevant emission sources is therefore of critical importance. We report on seven of the 15 Scope 3 categories.

In 2020 we began to use primary life cycle assessment data to calculate the environmental impact of the chemical raw materials that we use to manufacture our products, which is a significant part of our estimated scope 3 impact. This provides us with primary data that is not only used to provide our clients with input data, but also to make an accurate estimation of the associated Scope 3 emissions. This in turn enables us to make more informed decisions about the substitution of raw materials with alternatives, such as renewable carbon alternatives.

Purchased goods and services (56% in 2020) and ‘end-of-life treatment of sold products’ (28% in 2020) are the largest sources of our Scope 3 CO₂ emissions. Both categories are related to the input and output of materials in the production process. Activities to reduce these emissions are:

- Category 1 & 12: switch from fossil fuels-based chemistry to renewable feedstock.
- Reduction in business travel: our ESG roadmap target to reduce Business travel emissions by 20% in 2023 and by 50% in 2030 (vs 2019).

Other sources are Stahl employees traveling by car and plane, and transportation of chemicals, which are typically delivered by road, maritime, rail and air. The COVID-19 pandemic had an impact on emissions, in that business travel emissions were significantly reduced during the lockdown periods in 2020, in particular in Europe and the Americas.



Our 2030 target is to reduce our business travel related CO₂ emissions by 50% compared to 2019, with a 2023 reduction target of 20%.

Energy efficiency and renewable energy

Stahl's energy consumption is the sum of electricity, gas, oil, steam, renewable briquettes and high-speed diesel consumed at the manufacturing sites. Several energy projects are under-way towards the goal of self-sufficiency and renewable energy sourcing. To achieve energy efficiencies, we continuously upgrade our production sites and laboratory facilities, for example with new reactors, boilers, condensers and storage equipment.

Switching to renewable energy at European sites has been another key contributor to achieving our emissions reduction goal,

and at our Stahl Brazil site, on-site solar energy is supplying 50% of the factory's electricity needs.

The more we produce, the more energy we need. Therefore, we report energy intensity, the energy consumption per ton produced. In 2020, this slightly increased as our total energy consumption in TJ remained stable, while our production volume decreased.



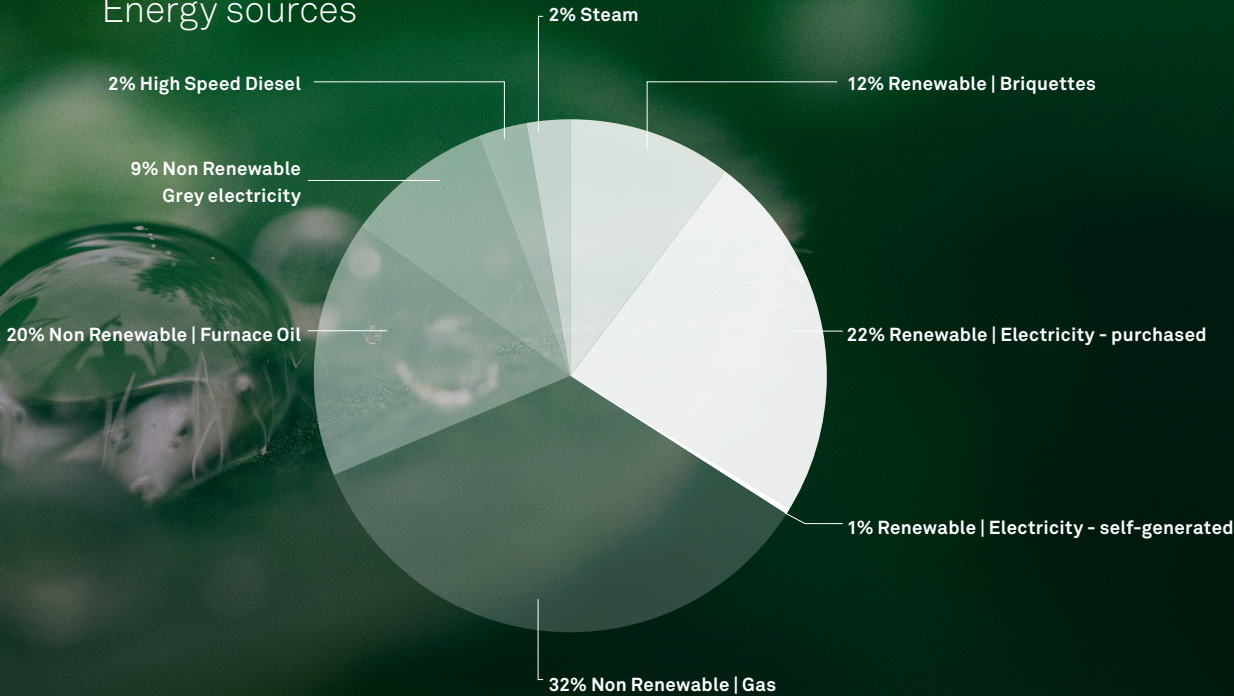
Our 2030 target is to have six sites using on-site renewable energy.

Energy consumption

	2020	2019
Energy - in TerraJoules (TJ)	334	382*
Share of renewable energy	34%	35%
Total production volume – in tons	181,453	208,114
Energy intensity (TJ/ton)	0.00184	0.00184*

Intensity is related to production volumes (energy consumption / production volume)

Energy sources



*2019 data was restated to account for a reporting unit error
Data verified and validated by Deloitte.

Water consumption

	2020	2019
Water consumption (m³)	273,045	330,649
Total production volume (tons)	181,453	208,114
Water intensity (m³ used per ton produced)	1.505	1.588

Other water use

	2020	2019
Other water use (m³)	373,958	460,097

Data verified and validated by Deloitte.

Water management

Water management underpins many of our ESG ambitions. We dedicate significant resources to improving the quality of water effluent at our customers’ facilities and developing our own water-based alternatives to organic solvent-based products. The improvement of our own water effluent stream is also a focus for our process development teams. Stahl sources water from municipality sources and from groundwater, and use it for two main purposes:

- [Commercial products, i.e. water-based technology](#) (where water replaces petrochemical-based solvents)
- [Process water at manufacturing sites](#) (cleaning tanks, pipes and for processing, heating & cooling), and utility water for labs and offices

Water consumption dropped

Total consumption of water dropped by 20% in 2020 compared to 2019, due to the lower production volumes at our sites. Stahl’s water consumption is closely linked to its factories, which largely remained open during the pandemic lockdowns. When measured per tons produced, our water intensity improved significantly towards the end of the year due to improved production volumes and ended 2020 5% below 2019.

Other water use

To help the community to maintain low level of groundwater, at our Palazzolo site in Italy, cooling water is temporarily with-drawn (not consumed) from a ground well and is kept completely separate from the production of chemical products. It is later discharged at a controlled temperature into the Seveso river next to the manufacturing site, in line with relevant guidelines.

Managing chemical waste

Stahl reports and actively aims to reduce both hazardous waste and non-hazardous waste. In our operations, hazardous waste originates from raw materials, manufactured products, waste from process installations (e.g. sludge from wastewater treatment), waste from laboratories and empty used packaging. Non-hazardous waste includes glass, paper, wood, plastic, domestic and demolition waste.

We prevent waste through waste minimization, re-use, recovery and recycling, as appropriate. Waste reduction and finding useful outlets, especially avoiding waste, are important from both an economic and environmental point of view.

Reducing water consumption and waste in the value chain

Stahl has introduced innovative ways to support our clients in reducing their water and waste impact on the environment. For example, Stahl BeTan® is a system of portfolio products and processes that enables tanners to reduce their water consumption and drive the efficiency of the beamhouse and tanning processes, without compromising on the quality of the leather. Stahl BeTan® solutions all comply with ZDHC's Manufacturing Restricted Substance Lists and support tanners in reducing their water consumption while solving issues like wrinkles, hair root, stains, smells and VOC (Volatile Organic Content), while also shortening the beamhouse process with environmentally responsible chemistry.

The Proviera® Probiotics for Leather range of products is part of the Stahl BeTan® system and contributes to the reduction in water and waste impact. In addition to this, products in the Proviera® Probiotics for Leather range are made from 100% renewable carbon raw materials, which minimizes their Climate Change impact.

As we will see in more detail in the 'Social' chapter of this report, Stahl also actively participates in public-private partnerships in India and Ethiopia to reduce water pollution. In India, Stahl has joined forces with the NGO Solidaridad and other partners to reduce pollution in the Ganges linked to the Kanpur Leather Cluster. In Ethiopia, Stahl, Solidaridad and CSR Netherlands launched the Green Tanning Initiative, which introduces low impact leather-making and aims to create sustainable employment in the Ethiopian leather industry.

Waste generation

	2020	2019
Hazardous waste (tons)	9,920	11,302
Non-hazardous waste (tons)	1,397	1,521
Total waste (tons)	11,317	12,824
Total production volume (tons)	181,453	208,114
Waste intensity (per tons produced)	0.062	0.062

	2020	2019
Wastewater sent to external treatment (tons)*	12,452	14,447

** This indicator represents the Stahl sites in Waalwijk (the Netherlands), Calhoun (USA) and Toluca (Mexico). At Waalwijk, this is water used for cleaning of tanks. In Toluca, this is wastewater collected from the production plant for cleaning of tanks, reactors and equipment in general and also for services like bathrooms and showers. Our other sites have an on-site wastewater treatment installation.*

Data verified and validated by Deloitte.



In focus: Stahl Campus

Sharing knowledge and best practice across the supply chain

Stahl is committed to sharing knowledge and best practice in order to achieve greater transparency, enhance safety and reduce impact across the industry. In 2014 we launched Stahl Campus®, a series of global knowledge centers designed to educate and train NGOs, brands, suppliers, distributors, customers and other stakeholders on relevant topics affecting the value chain. Participants complete theoretical and practical training modules at Stahl's state-of-the-art laboratories. Examples include our Leather training courses, where we share our knowledge and best practices in the leather production process and our Performance Coatings training courses, where we share knowledge and provide training on the wide range of possibilities in coating formulations.

The first center opened in Waalwijk (the Netherlands) and subsequently in León (Mexico) in 2015 and Guangzhou (China) in 2016. In 2019 the new Stahl Campus® Center of Excellence was opened in Kanpur (India). Our Automotive Leather Finishing Post Graduate Certificate course (3 x 2-week modules held over the academic year) is conducted in collaboration with the University of Northampton (UK). Students receive an official Post Graduate Certificate from the university upon completion of this unique course. In 2020, the Automotive Leather Finishing Post Graduate Certificate course was held for the second time in Stahl Campus® Mexico. A third Post Graduate course is planned for October 2021.

52

on-site visits

79

on-line training sessions

> 1,000 trainees

From 131 different organizations, trained at Stahl Campus® facilities around the world, despite COVID-19 (travel) restrictions. This includes 92 customers, 17 universities, and several brands, OEMs and designers.



Innovation and chemical compliance

Much of Stahl's research and applications development is focused on reducing the environmental impact of its own products and that of its customers. 18% of Stahl's R&D (research and development) projects are ESG driven: i.e., either linked to the elimination of restricted substances (such as ZDHC MRSL, Bluesign® BSSL, ChemIQ and chemicals soon to be banned by the EU law Reach), VOCs (Volatile Organic Compounds) or to the replacement of fossil fuel raw materials.

A restricted substance is an unwanted chemical for which intentional use is limited or prohibited, by law or voluntarily by brands and companies. ESG driven R&D projects also include saving energy and/or water for our own operations or those of our customers.

A significant amount of our research time is spent on developing water-based products and products that reduce water pollution originating from our customers' factories. The long-term market switch from solvent to water is a key driver in product development, particularly in the Performance Coatings market segments. Stahl became a ZDHC Value Chain Affiliate in October 2016 and officially joined the foundation in its commitment to help lead the clothing and footwear industry towards its 2020 goals with regard to the elimination of restricted substances from the supply chain. Find out more about our involvement with ZDHC and our ZDHC compliant products in the case on page 20.



Looking forward
Environment

Until 2020, some anecdotal evidence suggested that much of Stahl's environmental impact was linked to the raw materials we use to make our chemicals. As primary LCA data on selected products became available in 2020, this was proven to be the case. The majority of our CO₂ emissions (58%), both direct and indirect, is also linked to the purchase and selection of our raw materials. As we look to the future, our environmental activities will therefore be centred around (a) measuring the environmental impact of key strategic products, (b) replacing fossil fuel raw materials with renewable carbon alternatives, (c) eliminating any unwanted substances in our products, and (d) investing in technology to further reduce the company's Scope 1, 2 and 3 Greenhouse Gas emissions.

Climate Resilience is the capacity to adapt to the direct and indirect impacts of climate change, including changes in regulation and policy. Stahl is pro-actively building climate resilience into the company strategy and operations. In order to achieve this, the company will notify climate risks and estimate the vulnerability and magnitude of these risks on its operations and facilities.

Guided by the 10-year targets established in the Stahl ESG Roadmap, this will be our focus in 2021.



Case Study: Zero Discharge of Hazardous Chemicals

Safe chemistry: A good start transforms the end result

Ø ZDHC

The Zero Discharge of Hazardous Chemicals (ZDHC) certification process has been designed to help companies in the footwear, apparel and accessories industries to exhibit their commitment to responsible chemical management, working towards the ultimate goal of the zero discharge of hazardous chemicals.

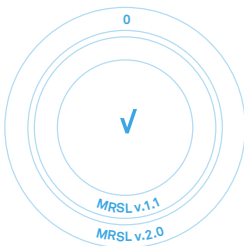
In order to achieve the ZDHC Gateway certification, Stahl products and raw materials were tested using the Chem-MAP® verification system and our key European manufacturing facilities were audited. 1,217 of our products achieved Level 3 status in 2020. A list of Stahl's ZDHC compliant products are publicly available on the ZDHC Gateway portal. In 2021, 500 additional products will be certified to level 3 and uploaded to the ZDHC Gateway.

ZDHC is a key strategic partner for Stahl; we have been an active member of ZDHC since 2016 and part of many subgroups and discussions about how to reduce more substances from the supply chain in the future.



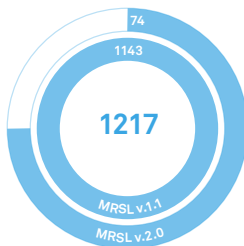
Level 1

A third-party review of documentation or analytical test report are required to decide conformance to ZDHC MRSL.



Level 2

A review of the chemical supplier's product stewardship practices is carried out by a third-party certifier.



Level 3

Requires all the elements of MRSL Conformance Level 2 and a site visit to chemical supplier to evaluate product stewardship.



Our 2030 target is to have 100% of our footwear, garment and accessories portfolio ZDHC certified, with a 2023 target of 80%.



Our ambition to achieve an EcoVadis Gold rating by 2023 will be driven by our efforts to ensure transparency throughout the value chain and collaborate constructively.

Stahl Procurement develops sustainable relationships with our suppliers around the world to deliver added value and innovative solutions to our customers. Our emphasis on building partnerships means we feel a special responsibility when it comes to the economic, ethical and environmental aspects of our suppliers and the relationship we have with them. We respect our suppliers' corporate culture and their employees, and maintain ethical relationships built on trust, mutual interest and respect.

We use the EcoVadis system to gain more insight into the sustainability performance of our suppliers. The EcoVadis system provides holistic sustainability ratings on material topics for companies, as they pertain to their size, location and industry. The evaluation is based on four main themes: environment, human and labor rights, business ethics, and responsible sourcing.

The evidence-based assessments are refined into scorecards and the scores lead to a bronze, silver, gold or platinum rating. Stahl was awarded with the EcoVadis Silver Medal in 2020.

67% of our buying spend is assessed by EcoVadis
Of our raw materials suppliers, 11% is based in high-risk countries, 89% in medium and (very) low risk in terms of corruption and human rights. 67% of our total spend is covered by the EcoVadis assessment/score.

Risk level of our supplier countries	High	Medium	Low	Very Low	Total
Raw material suppliers	164	584	383	410	1,541
% invited	32%	26%	22%	28%	26%
% scored	18%	16%	13%	15%	16%
Total spend % scored	66%	71%	62%	67%	67%



Stahl's 2030 target is to achieve and maintain the EcoVadis Gold rating.

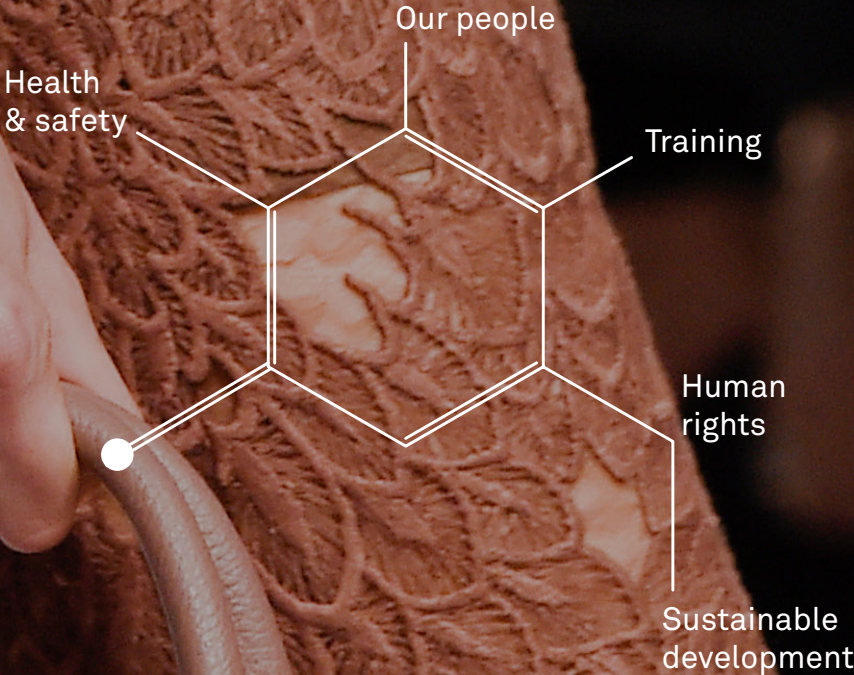
The 2030 target for raw material suppliers is a minimum EcoVadis rating of 45/100, with a 2023 target of 60/100 for our top 10 suppliers (based on spend).

Social Impact

Creating chemistry together

Sustainable development includes our efforts to protect the mental and physical wellbeing of people. We do this by:

- Ensuring a safe working environment for our employees and contractors at all sites, training 100% of Stahl employees in safety, health behavior and policies, and continuing to comply with ISO certification.
- Driving a culture of inclusion and diversity, by implementing gender diversity argets and training 100% of our employees.
- Working closely with our supply chain to ensure the implementation of fair and equitable labor practices.



Health & Safety

All Stahl's activities, policies, monitoring, reporting and training align with our ambition of creating a true safety culture with a target of zero accidents and incidents. Our policies apply to all people working at Stahl, including temporary staff. Our focus on safety extends to our customers and the communities around our factories. We are also committed to sharing our safety practices and insights with key players in the industry.

In 2020, during the COVID-19 pandemic, the health and safety of our employees was more important than ever. Our laboratories and factories remained open during the lockdown periods but office and commercial staff who could work from home were encouraged to do so. While adopting the necessary COVID-19 safety measures, we continued to conduct all mandatory inspections and maintenance as per the legal requirements.

Stahl's Safety, Health and Environment policy

Our Safety, Health and Environment (SHE) policy focuses on building a strong safety culture across the organization, with an emphasis on implementing industrial best practices as well as complying with all legal requirements. We require all employees to be trained in appropriate safety skills, with the understanding that safety is a mindset, not a department, and that everyone at Stahl is responsible for ensuring it. Our Global SHE & Process Safety Manager sets our SHE strategy, standards and policies, implements them throughout the company and ensures we follow them. Through local work councils, our employees are consulted on the SHE policy developments and evaluation. In 2020, we implemented new criteria for governing and reporting SHE and process safety in 2020, helping us to more accurately report on safety incidents.

As part of our SHE efforts, we developed the Stahl Hazard Identi-

fication and Risk Assessment Methodology (SHIRAM), which has been rolled out worldwide and is our standard methodology for safety risk assessment. This methodology has been designed to fit Stahl's operations and processes, and to integrate best practices for Risk Assessment and Management. If our employees observe any additional hazardous conditions or behaviors, they are obliged to report this as part of our safety culture. If incidents do occur, all Stahl sites are required to provide an investigation report. The methodologies for this are established at the local site level.

We have developed a program to completely eliminate accidents. This R20 (Road to Zero) program is highlighted in more detail at the end of this chapter.



Our commitment: Ensure a safe working environment and a diverse culture for our employees



'Safety is a mindset, not a department. A true safety culture is only achieved when safety is a value in life and not just at work.'

Alexis Pey, Global SHE & Process Safety Manager

Safety Key Performance Indicators (KPIs)

To ensure continued improvement in the evaluation and prevention of risks, Stahl tracks several safety indicators. Each month we report injuries, incidents, audits, training, engineering projects and other prevention methods, both internally and to our shareholders. The safety KPIs reported reflect the improvements that we have made. Both the Total Recordable Incident (TRI) frequency rate and the Lost Time Incidents (LTI) frequency rate were lower in 2020 than in 2019.

- TRI = The total recorded injuries frequency rate is calculated as number of total recorded number of injuries in the last twelve months over total number of worked hours and referenced to a base of 1,000,000 h.
- LTI = The lost-time injury frequency rate is the number of accidents involving the loss of one or more days of working time in the last twelve months over total number of worked hours and referenced to a base of 1,000,000 h.
- The severity rate is the number of lost working days due to injuries in the last twelve months over total number of worked hours and referenced to a base of 1,000 h.

Safety KPIs

	2020	2019
Total recorded injuries frequency rate	4.549	5.444
Lost time injuries frequency rate	0.840	1.303*
Severity rate	0.003	0.034*

* 2019 data was restated to account for a change in the definition and scope for safety KPIs.
Data verified and validated by Deloitte.

Customer Health & Safety

Stahl's long-standing commitment to the elimination of restricted substances in the value chain is, in part, a reflection of our commitment to the health and safety of the people in the value chain, including those who handle our products to make theirs. Stahl Campus® training includes modules on the safe handling of chemicals and the reasons behind the restriction of certain substances. You can read more about Stahl Campus® on page 18.



Our people

Our commitment - Nurture diversity and inclusion to continuously improve employee skills and company attractiveness & CSR as a mindset, motivating employees throughout the company.

As a socially responsible company, Stahl strives to foster a diverse and inclusive workplace—one where everyone feels empowered and has the opportunity to contribute to our open culture of innovation and entrepreneurial spirit.

We will continue to invest in training and upskilling our people, providing opportunities for growth and development across the organization.

Attractiveness and talent retention

In 2020 we continued to focus on talent retention and remaining attractive for new employees by:

- Focusing on employee engagement, diversity management and equal opportunity
- Reinforcing Stahl culture and DNA
- Transferring knowledge and information effectively within the company
- Hiring and coaching people in line with our business goals
- Creating an open, transparent and fair management style
- Emphasizing the benefits of Stahl's truly international team



Our 2030 target is to have gender balance in the Stahl management team and Executive Control Group.

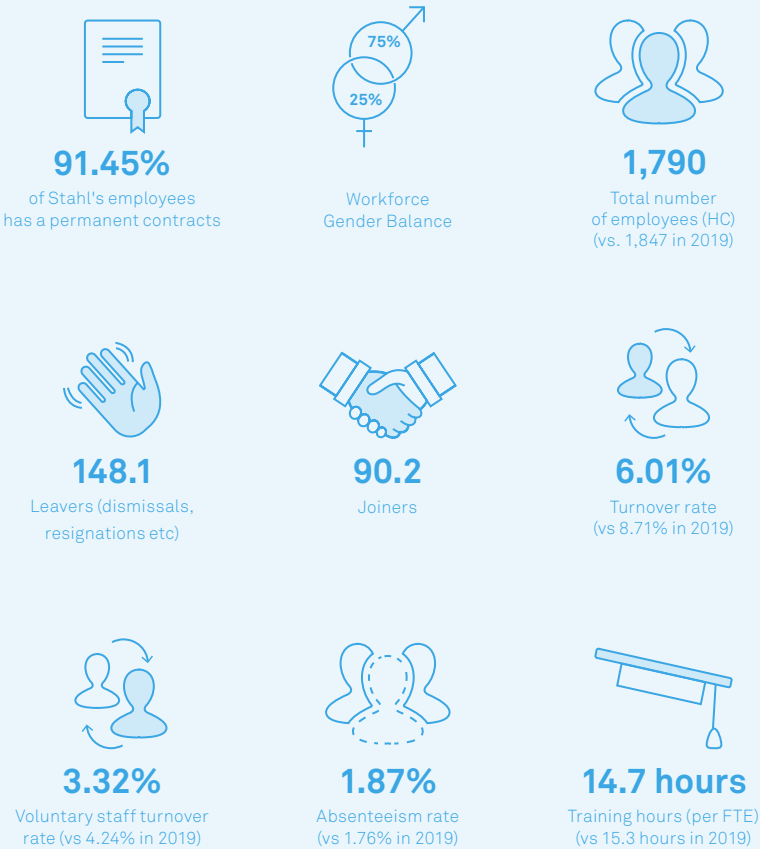
Employees by region

Region	2020	2019
EMEA	888.8	901.6
Asia-Pacific	367.0	384.0
India and Pakistan	256.0	274.0
North and South America	259.0	267.0
Total (full time equivalents)	1,770.8	1,826.6

Data verified and validated by Deloitte.



Our employees in 2020



Employment

The total number of employees (headcount) was 1,790 at 2020 year-end; which is 57 less than at the end of 2019. The reduction is linked to the completion of the complexity reduction and value improvement project implemented in the Leather organization, affecting mainly India, Pakistan and China. In addition, the divestment of the Powder Coatings business led to a reduction in headcount.

Diversity and Inclusion

Equal treatment is at the heart of the organization as it reflects a motivated, innovative and responsive workforce. Personality, education, age, nationality, gender, race and cultural diversity are critical for Stahl's leadership position and helping us to create a more innovative and responsive organization. In 2020, our workforce included 59 different nationalities. We also believe that there is much more to diversity than age, gender, race and cultural background. A diverse workplace allows employees who offer different ideas and perspectives to thrive. Our [Diversity and Equal Opportunity Policy](#), published on our website, expresses our commitment to embedding equality, diversity and inclusion across the organization.

Diversity and inclusion principles are also embedded within Stahl's core leadership development programs to encourage managers to demonstrate them as part of their leadership behavior. Cultural intelligence and equality are built into our performance reviews and the hiring and talent identification process.

Stahl tracks the ratio of female to male employees (25:75 in 2020) and the number of female employees in leadership positions (employees with direct reports and/or holding a management position). In 2020 there were 90 women in leadership positions, which represents 24% of total management positions. In 2020 we also set a target of achieving a 30% female workforce in leadership positions, by 2030.

Training

Stahl is proactive in encouraging employee training participation, including workshops, e-learning, online courses, webinars on selected topics and lectures. Through the Employee Engagement Platform (EEP), every new employee receives updated training and instructions appropriate to their position.

This is followed by more specific job-related training to ensure that every employee makes the best use of the information, resources, products and capabilities at their disposal. In the case of Stahl technicians, there is a strong emphasis on training designed to provide practical and innovative technical solutions for customers. Additionally, all employees that have worked for the company for more than four months are eligible to participate in external training programs individually or in teams.

The number of hours received per employee in 2020 was 14.7 hours per full-time equivalent (FTE) (versus 15.3 in 2019). In 2020 we also trained 96 employees through Stahl Campus®, our specialist training and knowledge center.

EEP (Employee Engagement Platform)

We implemented our Employee Engagement Platform (EEP) in 2020 for all Stahl employees. The purpose of this platform is to:

- Create a digital library for HR activities and employee engagement development
- Achieve more efficient and effective learning and employee training
- Organize department-specific compliance regulations
- Enhance the 'on-boarding' process for new employees
- Track progress with employee learning and measure their performance
- Provide statistics on training (e.g., for external auditing)
- Integrate social learning experiences.

The Employee Engagement Platform also includes an Annual Performance Review Appraisal, which is the first time Stahl has formalized a global approach to annual appraisals for all employees. In 2021 we will also introduce a range of mobile-first content for our employees, so that smartphone users can easily access on-the-go training and product information.

Stahl values

Stahl fosters and maintains an employee culture that is open, engaged, diverse, and inclusive, strives to ensure a safe workplace for all our colleagues, and champions our positive impact on the world.

We cater to the evolving needs of our customers and society. With our can-do mentality, we believe that if it can be imagined, it can be created. To support this belief, each of us stands for the Stahl company values: imagination, responsibility, initiative and cooperation. We put these values into practice every day support our customers in what they are trying to accomplish.



In 2020, we created a video which outlines these core values and our company DNA. The video features the global reach and structure of Stahl, and highlights our entrepreneurial culture, innovative approach and the personal opportunities for growth from which new employees can benefit.




As part of our ESG roadmap, we have yearly targets to train 100% of our employees on: (1) health and safety behavior and practices; (2) diversity and inclusion; (3) anti-corruption and bribery.

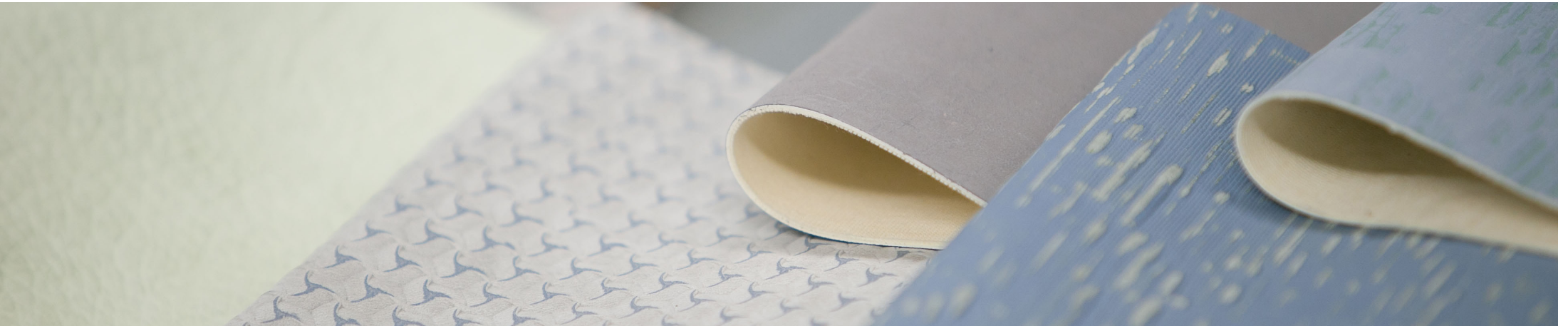


Human Rights

Stahl’s policy on human rights is also reflected in the Stahl Code of Conduct for Business Partners, which stipulates that our business partners shall conduct their activities in a manner that respects human rights as per The United Nations Guiding Principles on Business and Human Rights.

In 2020,


- A policy on Human Rights was published
-  Stahl’s [Stahl Modern Slavery policy](#) was updated, based on section 54 of the 2015 UK Modern Slavery Act.
- In 2020, 98.55% of our employees were trained on identifying and reporting red flags with regard to bribery, corruption and modern slavery.
- We bolstered our Vigilance Team that monitors human rights under the French Duty of Care Law, adding senior management members to the team and establishing quarterly meetings.



Sustainable development projects

Our commitment – Consolidate Stahl’s ESG leadership position by engagement with influential NGOs’ and IGOs’ view on responsible chemistry

India: Pollution prevention and efficient water use

 The five-year project ‘Pollution Prevention and Efficient Water Use in Kanpur-Unnao Leather Cluster’ is focused on reducing water pollution in the Kanpur leather manufacturing cluster. Specifically, it has led to the introduction of new processes and chemical technologies that can reduce the amount of water effluent in the tannery manufacturing zone of Kanpur. The project contributes to the wellbeing of thousands of families who work and live in the area, and depend on the leather industry, by reducing the environmental impact of the manufacturing cluster. This Public Private Partnership (PPP) is led by Solidaridad, Stahl and local stakeholders, and it is supported by the Dutch government under the Sustainable Water Fund (FDW).

Ethiopia: Green Tanning Initiative

 The Green Tanning Initiative (GTI) project promotes responsible production practices in the leather supply chain in Ethiopia and facilitating market access for Ethiopia to the EU. The GTI project is a public-private partnership between Stahl, Solidaridad, CSR (MVO) Netherlands and local leather associations, and is supported by the European Commission. In 2020 the project was halted temporarily due to the travel restrictions imposed by the COVID-19 pandemic. Activities will resume in 2021 with the projects’ completion planned for January 2022.



Looking forward Social

The COVID-19 pandemic highlighted Stahl’s readiness and resilience in many ways, but it also reminded us that there is nothing more important to the company than our employees, and their safety and health. This was our focus in 2020 and it will remain so in the future. Advances have been made in recent years on how we measure and report accidents, incidents and spills, and this has contributed to the consolidation of the strong safety culture the company enjoys. But we are not perfect, and we can always improve.

In the coming years, new ways of measuring safety behavior will be introduced and continuous awareness training on safety will be prioritized and focused on preventing accidents in the workplace and at home. Our long-term goal is the same as our short-term goal in this sense: zero accidents. This will drive our behavior and policies as we look forward.

Stahl is becoming more diverse and inclusive, and there is a growing level of active employee engagement throughout the company. We believe that this positive development has contributed to making the company successful, resilient, and more attractive to potential employees. To keep the momentum going, ambitious targets have been established in our 10-year ESG Roadmap, for example on gender balance, and these will ensure that Stahl continues to be a great place to work. This will be our focus as we look ahead.



In focus: Road to Zero

Creating a culture of safety — for the well-being of our people



Our Road to Zero (R20) program focuses on integrating safety into our company culture and ensuring that it is a shared responsibility for the wellbeing of our people. The idea is that R20 provides us with a more modern approach to safety by embedding it into every layer of the business—seeking to educate employees about how to embed safety principles into their lives, both at work and beyond.

R20 is based on the understanding that in order for any culture to change or mindset to flourish, you first need to ensure that you have your people on board, ensuring that they are happy, motivated and responsible for their own wellbeing. We have found that the program has driven engagement because it addresses not just health and safety regulations within the workplace, but also considers the livelihoods and wellbeing of employees and their families beyond work. It has really helped to demonstrate that the ripple effects of accidents at work can impact lives at a much broader level, helping us to reframe safety as an issue which affects us all at multiple levels.

The pillars of our R20 program are:

- a true safety culture is a mindset that prevails inside and outside the workplace;
- a good safety record is never achieved through a big effort by a small group of people, but by lots of small efforts by a big group of people;
- the potential consequences of injuries at work mostly affect people and their social network outside work;
- our zero-tolerance policy on unsafe behavior ensures people are not injured at work.

In 2020, we expanded our safety awareness campaign around the world, with several new guidelines published and others reviewed. This included presentations for all employees and several sessions with the core leadership team. We also work closely with the site management teams and SHE managers to implement the zero-tolerance policy to unsafe behaviors and practices.

Although the program roll out had to be paused because of COVID-19, we have since been running virtual sessions on process

safety and risk, and as soon as we can plan to implement a train-the — trainer model for SHE managers to be able to upskill their teams. Meanwhile we have added a new element to the program by offering additional 'lockdown support' for employees during the pandemic — working with global SHE managers to offer emotional and psychological support in collaboration with HR teams.



Our 2030 target is to maintain a safe working environment for all Stahl employees and contractors with zero accidents at our sites.

Governance

Leadership and governance for responsible chemistry

Sustainable development is central to the way we create value: we believe that doing good and doing well go hand in hand.

- Our approach to sustainable development mitigates investor risks by ensuring corporate governance, regulatory and environmental compliance, and our long-term ability to transform are in line with the needs of our stakeholders.
- By implementing gender diversity targets in our leadership and supervisory positions, we are helping to improve our higher-level decision-making and establish role models for our entire organization.

Stahl governance

Ethics & compliance

Industry governance



Stahl governance

Our Board of Directors

The Stahl Board of Directors, our highest governance body, consists of members from our shareholders Wendel and BASF, the Stahl CEO and CFO and two independent members. The Stahl Board meets at least five times per year to discuss financial results and ESG-related topics.

- [Huub van Beijeren](#), Stahl CEO (Dutch)
- [Frank Sonnemans](#), Stahl CFO (Dutch)
- [Félicie Thion de la Chaume](#), Wendel (French)
- [Jérôme Michiels](#), Wendel (French)
- [Claude Ehlinger](#), Wendel (French)
- [Bruno Fritsch](#), Wendel (French)
- [Anup Kothari](#), BASF (Indian)
- [Etienne Boris](#), Independent (French)
- [Piet van der Slikke](#), Independent (Dutch)

Our Management Team

The Stahl Management Team meets every month and determines the implementation of the company strategy including the ESG roadmap.

- [Huub van Beijeren](#), Chief Executive Officer (Dutch)
- [Frank Sonnemans](#), Chief Financial Officer (Dutch)
- [John Schelhaas](#), Chief Operating Officer (Dutch)
- [John Fletcher](#), Chief Innovation Officer
- [Ralph Blach](#), Director of Research and Development (German)
- [Xavier Rafols](#), Leather Chemicals Business Unit Director (Spanish)
- [Uwe Siebgens](#), Performance Coatings Strategic Business Unit Director (German)

Our Executive Control Group

The Executive Control Group is a wider governance body that includes Stahl Management team members as well as Site Managers, Regional General Managers, Executives from the Strategic Business Units, and Marketing, Communications, ESG, IT, Legal & Compliance, Finance and SHE representatives. The Executive Control Group meets on a quarterly basis and reviews year to date performance KPIs and decides on tactics for the upcoming business cycles.

Diverse Leadership Development

Consistent with our growing leadership talent strategy, diversity and inclusion principles are also embedded within our leadership development programs—to encourage managers to demonstrate them as part of their leadership behavior.

ESG Governance

The Stahl ESG team is responsible for implementing the company policy on Environment, Social & Governance. The Director of Corporate Affairs represents ESG on the Stahl Management Team. The ESG Director is a member of the Stahl Executive Control Group. The ESG team meets formally every two weeks and continuously engages with finance, legal counsel, sales teams, product managers, researchers, product stewardship and operations staff to monitor the implementation of our strategy and to discuss progress on new initiatives related to ESG performance. The ESG team meets on a quarterly basis with the Wendel ESG team.

SHE (Safety, Health & Environment) Governance

Each Stahl site has a dedicated SHE Manager responsible for ensuring that the organization is pursuing best practices. Being a SHE manager does not mean full responsibility for SHE:

the responsibility is distributed throughout the organization and there is no job position without a degree of SHE responsibility. The SHE Manager reports to the Local Manager and has the direct support of the Global SHE & Process Safety Manager.



Our commitments: (1) Foster ethical behavior throughout our leadership by providing training and robust compliance programs; (2) Sustainable development as a mindset, motivating employees throughout the company.

Ethics and compliance

 Our organization’s strategic direction is strongly influenced by the UN Sustainable Development Goals, and our ways of working and organizational policies are aligned with the UN Global Compact Principles and the OECD Guidelines for Multinational Enterprises. The 10 UN Global Compact guidelines are the foundation of our Code of Conduct for Business Partners. With this commitment we confirm our alignment to the universal principles of human rights, labor, environment and anti-corruption.

Wendel commitments

Like Stahl, Wendel is committed to ESG performance. In 2020, Wendel entered the Dow Jones Sustainability World and Europe Indices (DJSI) in recognition of the Group’s ESG performance. Evaluated on the basis of all of its ESG initiatives, Wendel obtained a score of 71/100 compared with the average in its sector of 30/100.

As a portfolio company of the Wendel, Stahl is subject to French legislation, like Sapin II (on transparency, anti-corruption and to modernization of the economy) and the Duty of Care law. Each year, Stahl is assessed on the European Directive on Non-Financial Reporting and Diversity Information by Wendel.

Duty of Care – vigilance plan

Stahl’s Vigilance Plan corresponds to the French law 2017-399 (March 2017) on Duty of Care. The Vigilance Plan identifies and aims to prevent the risk of serious violations of human rights and fundamental freedoms as well as harm to human health, safety and the environment. Stahl performs an annual review of the risk

assessment and control policies within the scope of Duty of Care. This review covered the risks linked to our employees, suppliers and customers/external markets and the company has adopted governance policies covering health and safety, environment and human rights in order to mitigate the identified risks.

Sapin II – anti corruption law

The Stahl Group is committed to ensuring that the activities of the Stahl Group and all employees are conducted in accordance with the applicable laws and regulations, the relevant compliance policies and rules as adopted by the Stahl Group and applicable ethical standards. One of the laws applicable to Stahl is the French SAPIN II Law. This law imposes an obligation on certain companies to implement measures to prevent and detect corruption and influence peddling offences, either committed in France or abroad. Stahl is subject to this law and we have implemented a compliance program to comply with the requested measures. Stahl applies a zero-tolerance policy with respect to corruption.

The key measures implemented by Stahl are:


1. **Code of conduct:** Stahl Employees and relevant Business Partners need to sign the Stahl Code of Conduct, which includes specific anti-corruption rules.
2. **Alert mechanism:** Stahl implemented a whistleblowing policy, which allows employees and anyone outside the company to report suspicious behavior that could conflict with the Stahl Code of Conduct, while offering the necessary guaranteed protection to the person in question.
3. **Corruption risk mapping:** Each year, Stahl performs a corruption risk mapping exercise, through interviews with our management by the Stahl Group Tax & Legal manager.
4. **Third party due diligence procedures:** Stahl performs a business partner due diligence assessment of relevant business partners, on a risk-based approach.
5. **Internal and external accounting control procedures:** Stahl has several accounting procedures in place, including a

- specific procedure on anti-corruption.
6. **Training program:** Stahl employees are required to follow our annual anti-corruption e-learning training.
 7. **Disciplinary procedure:** Our disciplinary rules can be invoked if Stahl employees do not comply with the applicable laws, regulations and Stahl compliance policies.
 8. **Internal monitoring and assessment system:** Stahl has implemented an internal monitoring and assessment system.




Commitment: Foster ethical behavior by providing training and robust compliance programs.


Code of Conduct for Stahl Employees

 Our Code of Conduct for Employees outlines what is expected of every person who works for Stahl. Integrity is essential to our reputation and to providing high-quality services to our customers. This involves balancing short and long-term interests and treating our customers, employees, shareholders and other business relations with care and respect. A whistleblower policy allows employees to report suspicious behavior that could conflict with our Code of Conduct, while offering the necessary guaranteed protection to the person in question.

Code of Conduct for business partners

 Stahl's Code of Conduct for Business Partners stipulates that the business partner abides by all applicable anti-corruption laws and regulations of the countries in which it operates, including all applicable international anti-corruption conventions. Based on the UNGC principles, it also covers the topics of human rights, discrimination, modern slavery, working hours and health and safety. We require our business partners to either comply with or demonstrate equivalent ethical standards as those outlined in the Code of Conduct, and any deviations found can ultimately lead to a discontinuation of the business relationship. Strategic suppliers are screened using our due diligence questionnaire and the 3rd party EcoVadis self-assessment. We encourage the reporting (including the suspicion) of non-compliance (e.g. through our whistleblower alert mechanism).

Tax policy

 Stahl's tax policy sets out the principles and guidelines applied to the group in accordance with international tax standards like the OECD Guidelines for Multinational Enterprises and the "at arm's length" principle. For example, artificial structures are not used by the company, and all taxable profits are realized in the country where value is created. Our country-by-country information is included in Wendel's tax reporting to the French authorities.

Chemical compliance

Chemical compliance is the process of identifying, monitoring and eliminating unwanted chemical substances. If a product is deemed compliant to a specific chemical compliance legislation or requirement, it means that the concentration of the 'unwanted' substances in that product is within the limits specified in that legislation.

The chemical industry is governed by public policies like Regis-

tration, Evaluation, Authorisation and Restriction of Chemical substance (REACH) in Europe, or Toxic Substances Control Act (TSCA) in the United States. Aside from public policy directives, Stahl's end markets are also governed by voluntary initiatives (often driven by brands and NGOs) that influence industry behavior: for example, the Leather Working Group, a protocol for auditing leather manufacturers on environmental stewardship, and the Zero Discharge of Hazardous Chemicals foundation (known as ZDHC), committed to eliminating identified substances from the clothing and footwear supply chain. Stahl is an active member of these organizations and is involved with them at all levels.



Our commitment: Select and engage with suppliers based on recognized ESG standards.



Industry governance

Transitioning away from fossil fuels:

Renewable Carbon Initiative

In September 2020, Stahl was one of eleven companies that founded the Renewable Carbon Initiative (RCI) under the leadership of nova-Institute (Germany). RCI's aim is to support and speed up the transition from fossil carbon to renewable feedstock for all organic chemicals and materials. More than 100 well-known experts support the initiative and companies, start-ups and institutes are welcome to join the initiative as a member. Stahl serves on RCI's Executive Committee. Through the Renewable Carbon Initiative, we participate in webinars and initiatives that promote the acceleration of substitution of fossil fuels throughout the chemical industry. More can be found on RCI in our case study on page 36.

Phasing out restricted substances: ZDHC and bluesign®

As confirmation of our commitment to eliminating the substances on acknowledged MRSLs (Manufacturing Restricted Substance Lists), we have been an active member of the ZDHC foundation since 2016 and a bluesign® system partner since 2017. We are active members of four different working groups within ZDHC related to the impact of chemicals used in the textile and leather supply chains. The list of Stahl's ZDHC compliant products is publicly available on the ZDHC Gateway portal.

Pushing best practices with the Leather Working Group

The Leather Working Group (LWG) is a not-for-profit membership organization responsible for the world's premiere leather manufacturing certification. It aims to improve the environmental impact of the leather industry by assessing and certifying leather manufacturers. Since 2005, LWG has identified environmental best practices in the industry and provided guidelines for continual improvement. Stahl is an active member of the LWG Executive Committee.




Looking forward Governance

The manner in which Stahl governs itself has changed substantially in recent years. In 2020 there were examples of this, like the establishment of a Vigilance Team. These governance changes have been accompanied by rigorous policies and procedures to ensure that we continue to be a forward-looking company and a reference on topics like ethics and compliance.

The industry has also undergone significant governance changes in recent years, in particular with regard to chemical compliance, which has been driven as much by voluntary (e.g., brand-driven) initiatives as by government regulations like REACH. We expect self-regulation to continue in the market segments that we serve, and we also believe that social compliance will become a more critical element in the governance of the industry in the future.

Stahl has been at the forefront of industry initiatives for many years, and we believe this has had a positive impact on the company perception and performance, as well as on the value chain that we serve. Looking forward, we will continue to press the industry on critical topics, like ethics, compliance, digital transformation and chemical self-regulation, leading by example and by sharing best practices.





In focus: Renewable Carbon Initiative

Supporting the transition to renewable feedstock across the industry

The chemical industry has a fundamental role to play in delivering solutions that sustain and enable social wellbeing, protect our health and security, and meet new challenges through innovation. Chemicals are also the building blocks of low-carbon, zero pollution and energy-efficient technologies, materials and products.

In September 2020 Stahl became one of eleven companies that founded the Renewable Carbon Initiative (RCI) under the leadership of nova-Institute (Germany). The aim of the initiative is to accelerate the transition from fossil carbon to renewable feedstock in the chemical industry.

The Renewable Carbon Initiative (RCI) addresses the core problem of climate change, which is extracting and using additional

fossil carbon from the ground. Michael Carus, CEO of nova-Institute and head of the Renewable Carbon Initiative: "This is about a fundamental change in the chemical industry. Just as the energy industry is being converted to renewables, so renewable feedstock will become the new foundation of the future chemical and material industry. The initiative starts today and will be visibly present from now on. We want to accelerate the change."

The main avenues on which the initiative wants to deliver change are threefold. One, the initiative strives to create cross-industry platforms that will demonstrate the feasibility of renewable feedstock in tangible activities. Two, a key target will be to advocate for legislation, taxation and regulation changes to give renewable feedstock a level commercial playing field to play on. Finally, the third avenue will be to create a wider pull for sustainable options

by raising awareness and understanding of renewable feedstock levels amongst the business community and the wider public.

The Renewable Carbon Initiative has made a powerful start with eleven international member companies and the personal support of more than 100 industry experts. Stahl has actively contributed to RCI webinars, press conferences and social media. In addition, we are strong advocates for the acceleration of the transition to renewable feedstock. The initiative hopes to gain many additional members and supporters in the upcoming months to keep the strong momentum of the initiative. Working together, RCI will support and accelerate the transition from fossil to renewable feedstock for all organic chemicals and materials.

Outlook

We continue to minimize our environmental impact and carbon footprint

We strive to reduce the environmental impact of our own operations (including purchased raw materials) as well as that of the value chain into which we provide our products and services.





John Fletcher on innovation

"Our ESG approach involves working with people and processes that can support our company’s sustainable long-term ambitions, contribute to positive changes in our industry, and help ensure a better world that meets the needs of our different stakeholders."

John Fletcher
Chief Innovation Officer

Building on open innovation and digital transformation

In 2020, the COVID-19 crisis further underlined what was already becoming increasingly clear: the private sector has a responsibility to society and the environment and must consider ‘success’ to mean more than just financial profit. In this context, our collective commitment to environmental, social and governance (ESG) issues is more important than ever. Companies of all sizes must continue to improve the quality of their products and services while helping to shape a better world for more people.

At Stahl, we aim to deliver value to all our stakeholders, not just our customers and shareholders, but also our employees, suppliers, partners, and communities. This belief underpins our ESG focus, as we work to support the sustainable development of our company and wider industry over the coming years. We are looking for new ways to scale, improve, and consolidate our own operations alongside those of our clients, customers, and the wider industry. Open innovation and digital transformation are two cornerstones of this process.

Building on our partnerships and open innovation

Building on our track record of co-creation and development, we are collaborating with a wide range of partners to realize our ESG goals. We now have dedicated sales, technical, and support managers and teams responsible for all facets of our client relationships and offer tailored support to help them to achieve their own ESG ambitions.

Supporting our clients provides valuable insight into the common pressure points that they experience. This has enabled us to offer critical support, namely due diligence, supply chain mapping, and risk assessment. Helping others achieve their own ESG goals has also inspired us to go further with our own ambitions: in 2021, we will increase the breadth and depth of our work with clients by piloting digital solutions that benefit parties across the value chain.



Harnessing digital to scale our ESG efforts

Realizing our ESG ambitions depends on being able to harness digital opportunities to create new experiences and add value for all our stakeholders. Alongside our ongoing Life Cycle Assessment activities, a key task in 2021 is to digitize our product information to drive our accountability, offer our insights, and improve our customer journey.

In particular, we are introducing a new Product Information Portal through which brands will be able to provide end-to-end visibility around the chain of custody of specific goods – even down to the raw materials that make up the chemicals used to produce a leather handbag, for example. By integrating this blockchain technology into our digital ecosystem, we can drive positive change within our industrial processes—for the benefit of brands that rely on our chemicals, and the consumers who care increasingly about the sustainability credentials of the products they are buying.

Fostering a more inclusive organization

People are at the heart of our ESG and sustainable development approach. Stahl aims to foster an open and inclusive company culture based on transparency, ensuring accountability, measuring progress, and steering decision-making.

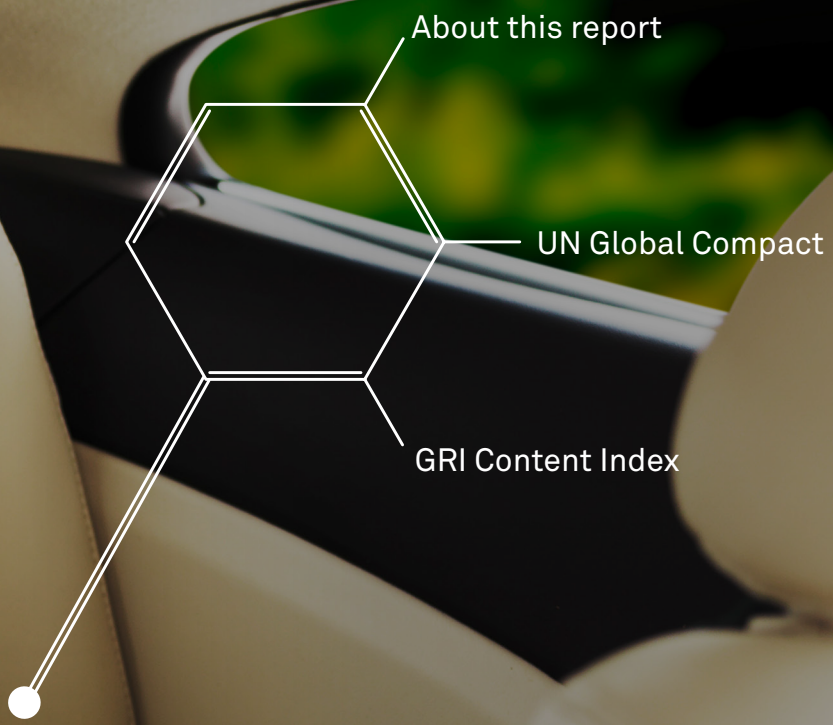
This mindset extends to our digital transformation journey, which involves our entire organization—from the shopfloor to the Managing Board—and runs across business units and locations. In 2021, we plan to further integrate mobile-first technology, so that colleagues with smartphones can access product data and ESG information. By moving beyond our existing infrastructure to a more inclusive system, we can further promote and build on our sustainable development vision and efforts for all of our employees.

A catalyst for positive change

The steps we are taking now will underpin our ESG approach for years to come. Indeed, transitioning to a digital and open way of working goes beyond adopting the latest, most dazzling technologies. It involves working with people and processes that can support our company’s sustainable long-term ambitions, contribute to positive changes in our industry, and help ensure a better world that meets the needs of our different stakeholders.

By living up to our environmental and social responsibilities, and helping others do the same, we believe we can be a catalyst for sustainable development and positive change. Like many organizations today, we are only at the start of a journey, but I am greatly encouraged by the steps we have taken so far and looking forward to making further progress alongside our partners in 2021 and beyond.

Appendices



About this report

Our reporting period runs from January 1, 2020 up to and including 31 December, 2020 and we have an annual reporting cycle with reports published in March. The date of our most recent report is March 31st, 2020.

This report has been prepared, whenever possible, in accordance with the GRI Standards: Core option. Unless otherwise noted, our Environmental, Safety and HR data have been validated by a third party verifier (Deloitte).

Stahl has published annual reports on environment, social and governance topics since 2013. The Global Reporting Initiative (GRI) sustainability reporting standards, the United Nations (UN) Global Compact and the 17 Sustainable Development Goals (SDGs) have been key references in the preparation of these reports and continue to provide valuable guidance for the company.

Stakeholder engagement

Stakeholder engagement means talking and interacting with people and organizations that are directly and indirectly impacted by Stahl. Understanding their needs enables us to create a transparent and more resilient supply chain that further reduces our collective environmental and social footprint. Transparent communication is used by Stahl to provide insight into the company for stakeholders. Soliciting stakeholder feedback also provides Stahl with an understanding of different perspectives on Stahl's business and the markets it serves.

Our primary stakeholders include our employees, customers, suppliers, investors and distributors and agents, while our secondary stakeholders are academic institutions, government (including public authorities), industry associations and foundations, consumer brands, NGOs and civil society. We are in constant contact with all these stakeholders about industry developments, our activities and services and other important topics.



On [our website](#) you can find more details about how we engage with each type of stakeholder. Across all stakeholders, health and safety as well as environmental topics are viewed as very important. On other topics, the interests differ. Our shareholders and customers place more focus on governance and economic performance, while our customers and their clients are more engaged with customer health and safety, human rights in the supply chain and community engagement.

Material topics

Stahl employs a materiality analysis to ensure we report on the most relevant ESG topics. Our approach to reporting and materiality is based on recognized, internationally agreed guidelines like the Global Reporting Initiative (GRI). The materiality analysis ensures that we address material topics for Stahl and our stakeholders.

This approach also ensures that the full scope of our activities are taken into account, from operations and supply chain to interactions with suppliers, customers, consumers, shareholders, government and NGOs. In short, the materiality analysis allows the company to identify the ESG topics that matter most.

Our materiality analysis includes a detailed review of our risk assessment and control policies, in accordance with the requirements of the European Law (including the Non-Financial Statement and the Duty of Care) on environmental, social, human rights and corruption risks resulting from our activities.


This review covers the risks linked to employees, suppliers, and to the external value chain that we serve. Stahl has adopted due diligence policies on health, safety, environment and human rights that mitigate the risks identified in this review. This assessment was cross-checked with two references:


- Independent standards: MSCI (Morgan Stanley Capital International) and SASB (Sustainability Accounting Standards Board)
- Companies comparable to Stahl in terms of industry sectors, geographical spread, disclosure of CSR risks and materiality

Our identified material topics (which include gross risks) are listed below. These topics impact the company and our external shareholders, independent of mitigation policies that may be in place to reduce them.

ESG Pillar	Topic	Subtopics
Environmental topics	Climate change	Greenhouse gas emissions
		Energy
	Resource depletion	Materials
		Water
		Waste
	Innovation	
Social topics	Occupational health and safety	Stahl staff H&S
		Customers' staff H&S
	Training and education	
	Diversity and inclusion	
	Human rights	
	Local communities	
Governance topics	Regulation	
	Anti-corruption	
	Ethics	

UN Global Compact Communication on Progress

 For the ninth year in a row, Stahl is very pleased to confirm our support to the United Nations Global Compact and its ten principles in the areas of Human Rights, Labor, Environment and Anti-Corruption. In 2014, we adopted these core values in our Code of Conduct.

In this ESG report, we describe our actions to continuously improve on the integration of these principles into our strategy, culture and daily operations. This report  is our way to share this information with our stakeholders. Earlier Communications on Progress can be found on the [UNGC website](#). The table below highlights where content about our efforts related to each of the UNGC Principles can be found in this report.

Topic	Page
<u>Human Rights</u>	
Principle 1: Support and respect the protection of internationally proclaimed human rights.	28
Principle 2: Ensure that they are not complicit in human rights abuses.	28
<u>Labor</u>	
Principle 3: Uphold the freedom of association and the effective recognition of the right to collective bargaining.	28
Principle 4: Eliminate all forms of forced and compulsory labor.	28
Principle 5: Abolish child labor.	21, 34
Principle 6: Eliminate discrimination in respect of employment and occupation.	26, 32
<u>Environment</u>	
Principle 7: Adopt a precautionary approach to environmental challenges.	12
Principle 8: Conduct environmentally responsible activities.	10–21
Principle 9: Encourage the development and diffusion of environmentally friendly technologies.	35, 36, 38–39
<u>Anti-Corruption</u>	
Principle 10: Fight corruption in all its forms, including extortion and bribery.	33–34

GRI Content Index

GENERAL DISCLOSURES

GRI Standard	Information	Description	Page/information
GRI 102: General Disclosures 2016	<i>Organizational profile</i>		
	102-1	Name of the organization	1
	102-2	Activities, brands, products, and services	4
	102-3	Location of headquarters	48
	102-4	Location of operations	5
	102-5	Ownership and legal form	9
	102-6	Markets served	5
	102-7	Scale of the organizations	7, 26
	102-8	Information on employees and other workers	25–26
	102-9	Supply chain	5
	102-10	Significant changes to the organization and its supply chain	There have been no significant changes in the supply chain in 2020.
	102-11	Precautionary Principle of approach	12
	102-12	External initiatives	7,28,41,43
	102-13	Membership of associations	Renewable Carbon Initiative, The Zero Discharge of Hazardous Chemicals Foundation (ZDHC), bluesign® system partner, The Leather Working Group, TEGEWA.
	<i>Strategy</i>		
	102-14	Statement from senior decision maker	3
	<i>Ethics and integrity</i>		
	102-16	Values, principles, standards, and norms of behavior	7
	<i>Governance</i>		
	102-18	Governance structure	32
	<i>Stakeholder engagement</i>		
	102-40	List of stakeholder groups	41
	102-41	Collective bargaining agreements	Given the international nature of Stahl and the relatively small dimension of the local units, there are four collective agreements in place. Salary levels and other means of remuneration depend on the individual countries. They are centrally coordinated, to ensure Stahl remains competitive in the respective markets. Some employees in the Company, mainly in management and sales, enjoy a bonus scheme based on annual quantitative objectives. This bonus scheme is coordinated centrally to ensure proper alignment and consistence with local practices.
	102-42	Identifying and selecting stakeholders	41
	102-43	Approach to stakeholder engagement	41
	102-44	Key topics and concerns raised	41

GRI Standard	Information	Description	Page/information
	<i>Reporting practice</i>		
	102-45	Entities included in the consolidated financial statements	Stahl Chemical Industries BV GMBH, Stahl France SARL, Stahl Chemicals Germany GmbH, Stahl Italy SRL, Stahl Group SA (98.01%), Stahl Netherlands BV, Stahl International BV, Stahl Europe BV, Stahl Treasury BV, Stahl Holdings BV, Stahl International Specialties Development BV, Stahl Europe Application PC BV, Stahl International Polymer Development BV, Stahl International Compounding BV, Stahl Parent BV, Stahl Iberica SL, Stahl Investment Spain SL, Pielcolor SL, Stahl Performance Powder Coatings SL, Stahl Switzerland GmbH, Stahl Kimya Sanayi ve Ticaret Ltd Sirketi, Stahl UK Ltd, Stahl Africa Chemicals Plc, Stahl de México, S.A. de C.V., Stahl (USA) Inc., Stahl Chemicals Srl, Stahl Brasil SA, Productos Stahl de Colombia SA, Pielcolor Uruguay SA, Lidertime SA, Stahl Uruguay SA, Stahl Coatings and Fine Chemicals (Suzhou) Co. Ltd, Stahl Leather Chemicals HK Limited, Stahl India Pte Ltd, PT Stahl Chemicals Indonesia, Stahl Japan Ltd, Stahl Korea Ltd, Stahl Pakistan (private) Ltd, Pielcolor Trading (Suzhou) Co. Ltd, Stahl Asia Pacific Pte Ltd, Stahl Taiwan Ltd Stahl (Thailand) Ltd.
	102-46	Defining report content and topic Boundaries	42
	102-47	List of materials topics	42
	102-48	Restatement of information	On pages 13, 15 and 24, the data for 2019 has been restated.
	102-49	Changes in reporting	There have been no changes in reporting.
	102-50	Reporting period	41
	102-51	Date of most recent report	41
	102-52	Reporting cycle	41
	102-53	Contact point for questions regarding the report	48
	102-54	Claims of reporting in accordance with the GRI Standards	41
	102-55	GRI content index	44-47
	102-56	External assurance	41

MATERIAL TOPICS

GRI Standard	Information	Description	Page/information
Environmental Topics			
CLIMATE CHANGE AND ENERGY			
<i>GRI 103: Management Approach 2016</i>	103-1	Explanation of material topics and its Boundary	10
	103-2	The management approach and its components	13
	103-3	Evaluation of the management approach	19
<i>GRI 305: Emissions 2016</i>	305-1	Direct (Scope 1) GHG emissions	13
	305-2	Energy indirect (Scope 2) GHG emissions	13
	305-3	Other indirect (Scope 3) GHG emissions	14
	305-4	GHG emissions intensity	13
	305-5	Reduction of GHG emissions	13

GRI Standard	Information	Description	Page/information
GRI 302: Energy 2016	302-1	Energy consumption within the organization	15
	302-4	Reduction of energy consumption	16
WATER			
GRI 103: Management Approach 2016	103-1	Explanation of material topics and its Boundary	10
	103-2	The management approach and its components	16
	103-3	Evaluation of the management approach	19
GRI 302: Water and effluents 2018	303-1	Interactions with water as a shared resource	16
	303-2	Management of water discharge-related impacts	16
	303-5	Water consumption	16
WASTE			
GRI 103: Management Approach 2016	103-1	Explanation of material topics and its Boundary	10
	103-2	The management approach and its components	17
	103-3	Evaluation of the management approach	19
GRI 306: Waste	306-1	Waste generation and significant waste-related impacts	17
	306-2	Management of significant waste-related impacts	17
	306-3	Waste generated	17
MATERIALS			
GRI 103: Management Approach 2016	103-1	Explanation of material topics and its Boundary	10
	103-2	The management approach and its components	19-21
	103-3	Evaluation of the management approach	19
GRI 308: Supplier Environmental Assessment 2016	308-1	New suppliers that were screened using environmental criteria	21
GRI 307: Environmental compliance 2016	307-1	Non-compliance with environmental laws and regulations	There were no fines or sanctions applied in 2020.

Social Topics

OCCUPATIONAL HEALTH & SAFETY

GRI 103: Management Approach 2016	103-1	Explanation of material topics and its Boundary	23
	103-2	The management approach and its components	23-24
	103-3	Evaluation of the management approach	29
GRI 403: Occupational Health & Safety	403-1	Occupational health and safety management system	23
	403-2	Hazard identification, risk assessment, and incident investigation	23
	403-3	Occupational health services	23
	403-4	Worker participation, consultation, and communication on occupational health and safety	23
	403-5	Worker training on occupational health and safety	23
	403-6	Promotion of worker health	There are no health promotion services and programs offered for non-work related health risks.
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	24
	403-8	Workers covered by an occupational health and safety management system	23
	403-9	Work-related injuries	24

GRI Standard	Information	Description	Page/information
OUR PEOPLE			
GRI 103: Management Approach 2016	103-1	Explanation of material topics and its Boundary	25
	103-2	The management approach and its components	25-26
	103-3	Evaluation of the management approach	29
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	26
	404-2	Programs for upgrading employee skills and transition assistance programs	27
GRI 405: Diversity & Equal Opportunity	405-1	Diversity of governance bodies and employees	26
Social responsibility in the supply chain			
GRI 103: Management Approach 2016	103-1	Explanation of material topics and its Boundary	28
	103-2	The management approach and its components	28-29
	103-3	Evaluation of the management approach	29
GRI412 Human Rights	412-1	Operations that have been subject to human rights reviews or im-pact assessments	21
GRI 414: Supplier Social Assessment 2016	414-1	New suppliers that were screened using social criteria	21
CUSTOMER HEALTH AND SAFETY			
GRI 103: Management Approach 2016	103-1	Explanation of material topics and its Boundary	24
	103-2	The management approach and its components	24
	103-3	Evaluation of the management approach	29
GRI416: Customer Health and Safety 2016	416-1	Assessment of the health and safety impacts of product and service categories	24 100% of our product and service categories are assessed for their health and safety impacts.
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	In 2020, there were no incidents of non-compliance with regulations and/or voluntary codes concerning the health and safety impacts of our products and services.

Governance Topics

ANTI-CORRUPTION

GRI 103: Management Approach 2016	103-1	Explanation of material topics and its Boundary	33
	103-2	The management approach and its components	33-34
	103-3	Evaluation of the management approach	35
GRI 205 Anti-Corruption 2016	205-2	Communication and training about anti-corruption policies and procedures	33-34



We welcome your feedback
and suggestions on our report,
so do not hesitate to get in touch:

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