

Formulating the future

Environment, Social & Governance Report 2021

This is a word version of the ESG report. A digital, interactive version will be available soon, which will also include a GRI content index.

Please feel free to contact us if you have any questions or remarks about this report.

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Table of Contents

Message from the CEO	3
2021 impact: key milestones	4
Goals and approach	5
Introduction to Stahl	6
Environmental Impact	
Impact topics: Environmental	9
Supplier assessment: EcoVadis	
Case study: Stahl Climate Resilience & Adaption Plan	
Social Impact	19
Impact topics: Social	
Case study: Stahl employee survey	
The Road to Governance Excellence	28
Impact topics: Governance	
Appendix	
About this report	
UNGC CoP Index	

Message from the CEO

Moving towards more responsible chemistry, together

Welcome to Stahl's ESG Report 2021 – and my first welcome message as the <u>company's CEO</u>. In July 2021, <u>I took over from Huub van Beijeren</u>, who retired after 13 successful years at the helm. It was a strange and challenging year in which to start: the COVID-19 pandemic was still in full force, highlighting more than ever the importance of people and partnership.

Stahl's response to the pandemic was just one example of how seriously the company takes responsibility for its impact, not only on our own employees but on the wider world. As someone who values sustainability deeply, this was one of the reasons I joined the company.

In my first year as CEO, I have been impressed by the progress Stahl has made. The company's ambitious ESG Roadmap to 2030 has continued to drive our efforts towards more responsible chemistry. The roadmap targets established for 2023 and 2030 cover our most important impacts across the three broad areas of environment, social and governance.

Achieving these targets will help us continue to create more responsible chemistry that enables better living for more people. But we can't do it alone; teamwork, collaboration and partnership within Stahl and throughout the supply chain are vital. To ensure we make the most out of this powerful strategy, we held webinars for all Stahl employees in 2021, explaining the goals, the content, and everyone's role in achieving the targets.

Our successes as a company are the result of collaboration – both with external partners and internally with colleagues. People's health and safety is our priority, and there is still work to be done to ensure there are no injuries among employees. Further to this, we launched a safety survey in 2021 and had an impressive 97% response rate from our employees. We also continue to work towards our diversity and inclusion targets; in particular, we aim to have more women in leadership positions.

We celebrated many achievements this year. We were awarded EcoVadis Gold rating, placing us in the top 5% of companies assessed by EcoVadis. We were proud to achieve Level 3 status in the ZDHC Gateway compliance module for 1,631 chemicals in the Stahl portfolio – an achievement we will continue to build on. And our research into non-fossil fuel technology continued in 2021 with the release of our renewable carbon-based product portfolio Stahl Ympact[™].

Climate change has been a major focus for us in 2021. This year, we drafted Stahl's first Climate Resilience and Adaption Plan, in which we outline targets and actions we're taking on climate change mitigation. We also attended COP26 in Glasgow, where we announced <u>new plans to reduce our Scope 3</u> <u>GHG emissions</u>.

Stahl's mission is to be the go-to partner at the center of a truly sustainable value chain, providing highperforming treatments and coating layers for flexible substrates. To continue to fulfil this role, we must remain agile, flexible and innovative. We need to build on our technological strengths to deliver highquality products that improve lives, while minimizing their negative impact on the world.

If you have comments or questions about this report and our ESG work, you are welcome to contact us. Together we are already making chemistry more responsible; we look forward to what we can achieve in the future.

Maarten Heijbroek CEO, Stahl

2021 impact: key milestones

In 2021, Stahl took steps towards achieving the targets set out in our ESG Roadmap to 2030. Here are some of the year's key milestones.



Goals and approach

To create responsible chemistry that meets tomorrow's needs, Stahl has set out an ESG Roadmap to 2030. Targets and KPIs are set out under three pillars.



At Stahl, we are committed to being a catalyst for positive change. To achieve this, we need clear direction and a way track our performance – the ESG Roadmap to 2030 helps us do that.

The Roadmap is a list of commitments and targets for 2023 and 2030, supported by key performance indicators (KPIs) and connected to the UN Sustainable Development Goals (SDGs).

The targets we set out in the ESG Roadmap and the KPIs we use to track our progress remained the same in 2021. We monitored our progress during the year with the ESG Scorecard, including with a midterm status update.

In April 2021, we presented the Roadmap to all Stahl employees in a live webinar, giving them the opportunity to ask questions.

Stahl's ESG commitments

- 1. Continuously minimize direct environmental impact and carbon footprint.
- 2. Ensure a safe working environment and a diverse culture for our employees.
- 3. Consolidate Stahl's ESG leadership position by engaging with influential NGOs and IGOs on responsible chemistry, positioning ourselves as a trusted and knowledgeable partner.
- 4. Nurture diversity and inclusion to continuously improve employee skills and company attractiveness.
- 5. Foster ethical behavior by providing training and robust compliance programs.
- 6. Select and engage with suppliers based on recognized ESG standards.
- 7. Promote a sustainable development mindset, to motivate employees throughout our organization.

The KPIs are under the three ESG pillars of Environmental Impact, Social Impact, and Governance. This report is structured following the same pillars; explore the report to find out how we are progressing in each area.

Accountability and transparency

We are assessed on our ESG performance by a third-party auditor (Deloitte in 2021) selected by Wendel, Stahl's majority shareholder. Wendel also monitors our EFPD (EU Law, Extra Financial Performance Declaration) and Duty of Care (French law on human rights and the environment) and Sapin II (French law on corruption) compliance. The annual reporting of Stahl's ESG performance is available in the Wendel Universal Registration document.

Introduction to Stahl



Stahl develops and delivers necessary chemistry that makes everyday materials look good, feel softer, resist scratching, repel stains, and last longer. We collaborate closely with our partners to provide high-performing, low-impact solutions that drive the transition to a fully sustainable value chain and chemistry based on renewable feedstocks.

Stahl is the world leader in the specialty chemistry of coatings, processing and treatments. Our products add functionality, durability and comfort to many different materials used in daily life. Through our continuous focus on innovation and improving environmental footprint, our unique service model and premium solutions add value to the automotive, garment, footwear, luxury bags and home furnishing consumer segments. We use two primary brands (Stahl and PielColor).

While there were no significant changes to the organization in 2021, like all companies in the sector, we were affected by severe global supply chain shortages and price increases for our raw materials and energy sources.

Our place in the value chain

Stahl's registered headquarters are in Europe (the Netherlands), and we have 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. 60% of our products are produced in Europe.

We operate mainly (in alphabetical order) in Argentina, Bangladesh, Brazil, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Netherlands, Pakistan, Singapore, Spain, Turkey and the USA. We are active (producing, sourcing and selling) in more than 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 1,458 direct suppliers for raw materials in 2021 (of which 80% is rated in the EcoVadis system on Labor & Human Rights, Ethics, Sustainable procurement and Environment), our supply chain also included 502 suppliers for logistics (44% rated

in EcoVadis) and 4,823 suppliers for other products and services, such as work clothes, office suppliers and laboratory equipment.

Four strategic pillars

"Stahl's four-pillar strategy will ensure the company continues to deliver innovative highperformance solutions and technologies to its partners in the value chain, attract and retain top talent throughout the company, and be an exciting, inclusive, environmentally and socially responsible place to work." – Maarten Heijbroek, CEO, Stahl



With our world facing a series of pressing environmental challenges, the chemical industry can play a key role in enabling high living standards within planetary boundaries. As we look to the journey ahead, we have identified four areas of strategic importance:

- Renewable feedstocks by switching to renewable feedstock in our supply chain we can eliminate fossil carbon and mitigate climate change.
- Open innovation enables us to innovate more efficiently and reduce environmental impact in areas such as water quality, renewable feedstocks and advanced functional chemistry.
- Digital transformation our 10-year digital transformation strategy includes the internet of things, block chain and artificial intelligence.
- Sustainable development chemicals as the building blocks of low-carbon, zero-pollution, energy efficient materials.

By applying our focus and efforts to these areas and working with partners throughout the value chain, we are raising the bar and delivering more value for our employees, customers, partners, investors, and society at large.

Environmental Impact

Chemistry that benefits the world

Key highlights:

- **15%** Reduction in CO₂ intensity Scopes 1 & 2 (tCO₂-eq/ton produced, 2021 vs 2020)
- 6% Reduction in CO₂ intensity Scope 3 (tCO₂-eq/ton produced, 2021 vs 2020)
- 63% of total sales (2021) complies to ZDHC level 3 (highest conformance level)
- **38%** Share of renewable energy (vs 34% in 2020)
- 50 products with Life Cycle Analysis (LCA) data 2023 target met
- Climate resilience and adaption plan introduced to the board

We are committed to continuously minimizing our environmental impact and carbon footprint towards a net zero society in 2050

Our focus is on fighting climate change and 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 (scope 3, indirect emissions account for over 90% of our total CO2 emissions). We made progress towards our 2023 and 2030 targets this year, reducing our CO₂ intensity and water consumption and our waste.

Stahl is committed to continuously minimizing our environmental impact. Our commitment is reflected in the progress we made in 2021 towards our 2023 and 2030 environmental targets, from energy use to waste production. But we're not done yet: 2022 will see the publication of Stahl's first Scope 3 CO₂ emissions target. We also continue to catalyze change in the industry: we are a founding advisory board member of the Renewable Carbon Institute. Explore this section to understand the company's direct and indirect environmental impacts.

Discover our impact at Stahl and through the value chain

Stahl is committed to the goal of limiting global temperature increase to 1.5°C above pre-industrial levels, as established in the 2015 Paris Climate Agreement. Our strategy to achieve this is detailed in the Stahl Climate Resilience & Adaption Plan [link to section]. Reducing direct and indirect GHG emissions is the focus and Stahl is committed to setting emissions targets that are aligned with the <u>Science Based Targets initiative</u> (SBTi).

	2021 progress	2023 goal	2030 goal
CO ₂ intensity	-15% vs. 2020	-2%/year	-2%/year
Scopes 1 & 2	(-37% reduced in 2015 – 2019)		
Self-generated	1 site	3 / 11 sites	6 / 11 sites
renewable	2 underway		
energy on-site			

Impact topics: Environmental

Energy and emissions at Stahl

Reducing GHG emissions is the fundamental element of our strategy for climate change mitigation. To achieve scope 1 and 2 emissions reduction, we are working towards lower consumption of energy and investing in self-generated energy (solar). All our European sites are already sourcing 100% green electricity.

In 2021, our production volumes increased by 26% (versus 2020), while our absolute Scope 1 and 2 Scope emissions increased by 7%. That resulted in an energy intensity (consumption per kg produced) reduction of 15%.



2023/2030 goal: reduce CO_2 emission intensity by 2% per year 2021 progress: 15% reduction compared to 2020

GHG emissions (in tons of CO ₂ e)	2021	2020
Scope 1: direct GHG emission (tons CO₂e)	13,977	13,858
Scope 2: indirect emission sources (tons CO ₂ e)	7,278	6,064
CO ₂ emission scope 1+2 (tons CO ₂ e)	21,255	19,922
Total production volume (in metric tons)	229,533	181,453
CO ₂ intensity [*]	0.0928	0.1098

*Intensity is related to production volumes (CO₂/production volume).

Scope 1: fuel combustion at our sites (gas, oil, diesel and renewable briquettes). No coal is used. Scope 2: purchased electricity, heat and steam.

GHG emissions are reported in CO_2e . Carbon dioxide equivalent (CO_2e) emissions represent emissions of all greenhouse gases (CO_2 , CH4, N2O, HFCs, PFCs, and SF6), aggregated and converted to units of CO2e using global warming potential (GWP) values.

Stahl's energy consumption is the sum of electricity, gas, oil, steam, renewable briquettes and highspeed diesel consumed at the manufacturing sites. No coal is used at our manufacturing sites. Stahl's energy intensity (energy in TJ consumed/ton products produced) was 15% lower in 2021 compared to 2020. This reduction was in large part due to improved efficiencies at manufacturing sites.

	2023	2030
E S	3 / 11 sites renewable	6 / 11 sites renewable
	energy on-site	energy on-site

Overall, Stahl's share of renewable energy (% of total energy consumption) increased from 35% in 2020 to 38% in 2021. Our energy intensity (energy in TJ consumed/ton products produced) reduced by 15% versus 2020.

The renewable energy we use includes energy we get from the network – in Europe for example, all four major sites are fueled by green energy. The increase in our use of renewable energy was also partly due to the solar panels that were implemented in Brazil in 2018.

We are also continuing with our on-site renewable energy program: in 2021, Stahl approved and commissioned new solar panel projects in India and Mexico. The projects are planned to be implemented in 2022, contributing to more renewable energy use as per our ESG Roadmap targets.

Energy consumption

	2021	2020
Energy (TJ)	359	334
Share of renewable energy	38%	34%
Total production volume	229,533	181,453
Energy intensity (TJ)*	0.00157	0.00184

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



Energy and emissions through the value chain

As Scope 3 accounts for 96% of our greenhouse gas emissions, we are taking further action to reduce our Scope 3 indirect emissions. A Scope 3 emissions target will be established in 2022, as part of our alignment to the <u>Science Based Targets initiative</u> (SBTi).

Greenhouse gas emissions are categorized into three groups or 'Scopes' by the most widely-used international accounting tool, the Greenhouse Gas (GHG) Protocol. Scope 1 covers direct emissions from owned or controlled sources. Scope 2 covers indirect emissions from the generation of purchased electricity, steam, heating and cooling consumed by the reporting company. Scope 3 includes all other indirect emissions that occur in a company's value chain, both upstream and downstream, which are defined in 15 categories.

Scope 1 (direct)	Scope 2 (indirect)	Scope 3 (indirect)
Fuel combustion	Purchased electricity,	Cat 1: Purchased goods and services
Company vehicles	heat and steam	Cat 2: Capital goods
		Cat 3: Fuel- and energy-related activities (not
		included in scope 1 or scope 2)
		Cat 4: Upstream transportation and distribution
		Cat 5: Waste generated in operations (going out)
		Cat 9: Downstream transportation and
		distribution
		Cat 12: End-of-life treatment of sold products

Estimation of Scope 3 indirect emissions	2021	2020	Change
CO ₂ emissions – Scope 3 (like for like) (tCO ₂ -eq)	576,456	485,461	90,998
CO ₂ intensity – Scope 3 (tCO ₂ -eq/ton produced)	2.511	2.675	-6%

For each scope 3 category, total emissions of GHGs (CO2, CH4, N2O, HFCs, PFCs, and SF6) are reported in metric tons of CO_2 equivalent, excluding biogenic CO_2 emissions and independent of any GHG trades, such as purchases, sales, or transfers of offsets or allowances.

Before calculating (in 2017), it was already assumed (based on expert judgement and competitors) that category 1 would be the largest category. Indeed our calculation model continues to show that category 1 is the major contributor to CO_2e emissions in our value chain. To make sure the calculated categories reflects the GHG emissions of our company, the emphasis is on data quality (actual data instead of proxy) and availability. Understandably the major contributor in this category are the raw materials that we buy from the chemical industry. We buy from the largest chemical companies, who are increasingly able to provide actual data (LCA), including carbon footprint data on the raw materials that we buy from them.

As in previous years, purchased goods and services (63% in 2021) is the largest scope 3 emissions category. An increase in production volumes is directly linked to an increase in purchased raw materials. If we produce more, we need more raw materials, which results in higher indirect scope 3 emissions (category 1). We continue to invest in low carbon technology by replacing fossil-based raw materials with non-fossil alternatives.

In 2022 Stahl will review all 15 categories for scope 3 emissions as per the GHG protocol, with the help of an external consultant. It is likely that more products and services will be added to category 1 (for example, outsourced production and products for resale, which is likely to be a significant increase in CO₂ emissions) and other categories. This comprehensive review will serve as a good base to set a target for scope 3, which is aligned to the Science Based Target Initiative (SBTi) criteria.

Business travel



Our 2030 goal is to reduce business travel CO_2 emissions by 50% (vs 2019) while maintaining high levels of service and customer engagement.

In 2021, Stahl's business travel increased compared to 2020. However, the ongoing COVID-19 pandemic limited travel, which contributed to travel remaining below 2019 levels. The increased use of digital technology during the pandemic has had a positive effect on the way we meet: technology enabled us to organize online meetings that would previously have been held in person. We expect this will help us meet our 2023 goal of a 20% reduction in business travel.

Minimizing our water use and pollution

Clean water is critically important for a healthy environment. As a key resource for manufacturing our products, Stahl uses water in several ways. We dedicate significant resources to researching how we can reduce our water use, introduce water-based products, improve the quality of our water effluents and reduce water pollution in the value chain.

We use water from municipalities (public water) and ground water in our operations. Our manufacturing sites use water for cleaning tanks and pipes and for processing, heating and cooling. And we use water at our office and laboratory locations too.

Our water usage increased in 2021 because of higher production volumes, but water consumed per metric ton produced (intensity) was lower in 2021 vs. 2020.

Total water consumption

	2021	2020
Water consumption (m ³)	303,599	273,045
Total production volume (metric tons)	229,533	181,453
Water intensity*	1.323	1.505

* Intensity is related to production volumes (water consumption/production volume).

Water use at the Palazzolo site (Italy)

To help the community maintain a low level of groundwater, the (cooling) water at the manufacturing site in Italy (Palazzolo) is temporarily taken (i.e. not consumed) from a ground well, completely separated from production and is discharged into the adjacent river (Seveso). This specific use of water is approved by and follows the strict guidelines set by local authorities.

	2021	2020
Other water use (m ^³)	409,882	373,958

Water based technology saves reduces the carbon footprint

Water-based technology has replaced petrochemical-based vehicles as a solvent in many commercial products. 56% of our total sales turnover in 2021 is from water based products (more than 50% water and less than 15% solvents). Through our LCA studies we see a significant drop in carbon footprint from approx. 30 - 50% (water based vs solvent based products). The water in our products are bought from suppliers.

Reducing our waste

We aim to reduce Stahl's impact on the environment by preventing pollution through waste minimization, re-use, recovery and recycling. We avoid generating waste in the first place, and when there is waste, we aim to find useful outlets for it whenever possible.

Stahl generates hazardous and non-hazardous waste, which we separate as waste streams for disposal. Hazardous waste comes chemical-related sources: from our products, raw materials, process installations (such as sludge from wastewater treatment), laboratories and used packaging. Non-hazardous (non-chemical) waste includes glass, paper, wood, plastic, domestic and demolition waste. The quantity of waste increased in 2021 by 22% (vs. 2020) due to higher production volumes (+26% vs. 2020). Waste intensity dropped by 3%.

	2021	2020
Hazardous waste (metric tons)	12,222	9,920
Non-hazardous waste (metric tons)	1,576	1,397
Total waste (metric tons)	13,798	11,317
Total production volume (metric tons)	229,533	181,453
Waste (total) intensity*	0.060	0.062

* Intensity is related to production volumes (total waste consumption/production volume).

Most Stahl sites have on-site wastewater treatment installation, and where this is not the case, wastewater is collected by a third party and reported and processed as hazardous waste. In 2021, total wastewater sent to external treatment increased compared to 2020. A water treatment facility at the Waalwijk plant was commissioned in 2021 and will be built in 2022.

	2021	2020
Wastewater sent to external treatment (metric tons)*	15,245	12,452

* Waalwijk (Netherlands), Calhoun (USA) and Toluca (Mexico).

Product innovation for positive impact

Stahl products are a key element in our commitment to reducing our environmental impacts. Stahl focuses a significant proportion of research and development (R&D) in this area: in 2021, 28% of Stahl's R&D projects were ESG-focused – an increase from 18% in 2020. From eliminating restricted substances from our products to reducing fossil fuel raw materials, innovation is helping Stahl reduce products' impacts for the company and those who use our products. In this section, you can read about some of our newest innovations.

Innovation and low-impact technologies	Renewable (raw) materials
Stahl BeTan	NuVera
Stahl RelcaBio	Ympact
Stahl NuVera	RelcaBio
Stahl Ympact	
Making our products safe	Assessing the impact of our products
Stahl is committed to eliminating harmful	We aim to have LCA data for 300 products by
substances from the supply chain. In 2021, we	2050. With 50 available in 2021, we are on
achieved ZDHC highest conformance level. $ ightarrow$	track to meet the target. $ ightarrow$

Innovation and low-impact technologies

Continuous innovation is an important driver for Stahl's growth strategy. Following our commitment to Responsible Chemistry, more efforts than ever have been taken to invest in projects creating high-value products based on renewables with a lower carbon footprint. We aim to support our customers in reducing their environmental impact and meeting the increasing consumer demand for sustainably produced products.

Stahl offers a range of low-impact non-fossil fuel technologies that help us do this, including:

- Stahl BeTan a complete range of responsible solutions for every step in the beamhouse and tanning process
- Stahl Relca[®]Bio bio-based polyols and resin technologies •
- <u>Stahl NuVera®</u> renewable carbon-based polyurethanes that replace fossil fuel-based chemistry with renewable materials

In line with the <u>Responsible Chemistry initiative</u>, we launched Stahl Ympact[™] in 2021, complementing the Stahl NuVera® and Stahl Relca®Bio ranges released in 2020. <u>Stahl Ympact™</u> is a growing family of leather chemical solutions made with renewable feedstocks. The family includes the first product portfolio of renewable carbon polyurethanes for base- and topcoats in leather finishing. Between 25% and 70% of the content of these polyurethane dispersion solutions is renewable, since it comes from biomass feedstock and/or carbon-captured CO₂.

Renewable (raw) materials

In research and development, we focus more and more on the use of renewable raw materials to help reduce our products' environmental impact and that of our clients.

The renewable raw materials we use include plant-based biomass like sugars and vegetable oils, and captured carbon – where CO_2 released from industrial processes is captured and used as a feedstock for producing polymeric building blocks. Both <u>Stahl NuVera®</u> and <u>Stahl Ympact™</u> use these renewable raw materials. The renewable content is at minimum 25% and can go up to as much as 70%.

In 2021, 226 Stahl products contained more than 5% renewable content. These products account for 7% of Stahl's annual sales. We aim to increase this in the future: our 2030 goal is for 10% of the feedstocks purchased to be renewable.

Goal: Renewable Feedstocks in the Stahl global pe				
2023	2030			
5% of purchase	10% of purchase			

Ensuring our products are safe

Safety is an ongoing priority for the company, and that includes the safety of our products. We are committed to eliminating harmful substances from the supply chain. As part of this commitment, we conform with <u>ZDHC Gateway</u> – the world's largest database enabling safer choices of chemical products for the textile, apparel and footwear industry. Chemical formulators that join the ZDHC Gateway play an instrumental role in driving the fashion and apparel industry's uptake of safer chemical management practices. They publish their ZDHC MRSL conformant products on the platform and track the performance of their products on the ZDHC Gateway. The Chemical Module allows formulators to classify their chemical products, while the virtual catalogues help them to reach out to their customers.

In 2021, Stahl achieved Level 3 status in the ZDHC Gateway compliance module for 1,613 chemicals in its portfolio – an increase of 396 compared to 2020. ZDHC level 3 products represent 63% of the total portfolio sales revenue (towards our target of 80%) and over 80% of leather chemicals sales revenue.



Goal: ZDHC Gateway certified products as % of the total portfolio sales revenue

2023	2030
80% of fashion,	100% of fashion,
garment and footwear	garment and footwear

In 2022 we plan to certify 200+ more products to the Gateway conformance portal.

Assessing the impact of our products

We use the Life Cycle Assessment (LCA) methodology to calculate the environmental impact of our products. In 2021, we achieved the 2023 target of collecting LCA data for 50 strategic products, which represent 7% of our total sales. We are setting a new target in light of this success, and will set annual targets based on our resources.

Read more about the LCA methodology

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.
- Use LCA data to manage and reduce our reported Scope 3 greenhouse gas emissions.

Our 2023 ESG Roadmap target is to collect and report complete LCA data for 300 strategic products.

We have set a 2022 target of 100, taking the total to 150

In November 2021, we achieved certification of the EPD LCA data generation system by working closely with Spin 360 a tech-enabled sustainability consultancy. This allows verifiable information to be collected for our products.

Supplier assessment: EcoVadis

The Stahl Procurement team 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, social (including human rights) 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 in the sustainability performance of our suppliers. 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 EcoVadis Gold in 2021.

Our target for our raw material suppliers in the EcoVadis system

• 2023 target of 60/100 points for our top 10 suppliers

Raw material suppliers	Very Low	Low	Medium	High Risk	Very High	Total
Raw Materials Suppliers	308	190	277	592	91	1458
% invited	30%	31%	19%	28%	40%	28%
% Scored	29%	29%	19%	20%	35%	24%
Total Spend % Scored	88%	64%	74%	74%	83%	80%

 2030 target is a minimum EcoVadis rating of 45/10)0
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Logistic suppliers	Very Low	Low	Medium	High Risk	Very High	Total
Logistics Suppliers	89	81	56	242	34	502
% invited	25%	17%	30%	11%	15%	17%
% Scored	21%	16%	29%	10%	12%	15%
Total Spend % Scored	58%	29%	40%	37%	1%	44%

% invited = the % of suppliers that we invited to join in the EcoVadis system

% scored = the % of suppliers that have joined the EcoVadis system, completed the questionnaire and received a score from EcoVadis Total Spend % Scored = the % of suppliers who received a score from EcoVadis in € spend by Stahl on the total spend in €

Case study: Stahl Climate Resilience & Adaption Plan

Taking action against climate change

By integrating a climate resilience plan into the Stahl strategy, we believe we can secure our future and be a positive force for climate action in our industry. In 2021, we communicated the Stahl Climate Resilience & Adaption Plan, which sets out our approach to climate risk mitigation, including our ambitious targets and how we plan to achieve them.



Climate change is an existential threat to the planet and to business. Most of our environmental projects are connected to climate change in some way. Our goal is to support the Paris Climate Agreement goal of limiting the global temperature increase to 1.5°C above pre-industrial levels. We plan to achieve this not only by reducing Stahl's own impact, but also by proactively advocating the replacement of fossil carbon across the chemical industry (link to the Renewable Carbon Institute).

Stahl's climate targets

In 2021, we communicated the Stahl Climate Resilience & Adaption Plan, which itself was one of the steps towards achieving our goal. In the Plan, we have set targets to reduce GHG emissions, and we track and report on progress in this annual report. Our targets:

- Reduce Scope 1 and Scope 2 emissions by 2% each year from 2020-2030
- Establish a Scope 3 emissions reduction target in 2022

How we plan to get there

Using less energy and more renewable energy is key to achieving our Scope 1 and 2 targets. We plan to install more self-generating electricity (solar power) at selected sites, and we are continuously investing in energy-saving equipment.

We have a different starting point for Scope 3 indirect emissions, and the first step is to set a realistic target. We will do this in 2022 based on a deep analysis of all relevant scope 3 categories.

We can also make progress through innovation. Together with our Open Innovation and Procurement teams, the ESG team is setting up a CO_2 impact model that calculates emissions reduction scenarios. Based on this model, we will ramp up the replacement of fossil-fuel based raw materials with renewable feedstocks as much as their availability allows, and continue to phase out solvent-based products. We plan to measure our indirect raw material CO_2 emissions based on LCA data from suppliers and the ECOINVENT/Simapro database.

Our progress so far



Stahl absolute GHG emissions (Scope 1 & 2) (tons CO₂ eq)



Since 2015, we have been working to reduce our Scope 1 and 2 emissions by sourcing green electricity at our main European sites and through capital investment into more efficient processing equipment at our manufacturing locations.

We reduced our Scope 1 and 2 emissions by 37% between 2015 and 2020. However, because of the pandemic, 2020 and 2021 were anomaly years for our emissions due to the significant drop in business travel.

According to our projections, between 2022 and 2030, Scope 1 and 2 emissions will fall by approximately 40% compared to 2015 figures. Scope 3 emissions figures are estimated and, while we work towards our forthcoming target, we will collect more primary LCA data on raw materials and benchmark our calculation methodology with peers, making these estimations more accurate and allowing us to establish an ambitious target. This will be communicated in 2022.

Climate resilience

Stahl faces different risks related to climate change, which we have identified:

- Transition risks policy changes (carbon tax, fossil tax), reputational impacts, and shifts in market preferences, norms and technology that are linked to the transition to a low carbon economy
- Physical risks for example, we could face more extreme weather events at Stahl's manufacturing locations and strategic centers of excellence

With these in mind, we have set out a climate resilience plan, to ensure Stahl can adapt to the direct and indirect impacts of climate change. We are now proactively building climate resilience into the company strategy and operations, including through dialogue with senior leaders and by communicating our efforts more broadly within the company.

Social Impact

Creating responsible chemistry, together

Protecting our people's mental and physical wellbeing is an important element of sustainable development

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. We made progress towards our 2023 and 2030 targets this year, reducing our CO_2 intensity and water consumption and our waste.

Stahl is committed to ensuring a safe working environment and nurturing diversity and inclusion to continuously improve employee skills. In 2021, we made progress towards our diversity and safety targets, and we continue to improve in these areas. Explore this section to understand the company's social impacts.

Impact topics: Social

Creating a safe, diverse and nurturing workplace

'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

An important part of our commitment to sustainable development is protecting people's mental and physical wellbeing – within Stahl and in our supply chain. Read this section to find out how we ensure the safety of employees and contractors through training, policy and certification, drive a culture of inclusion and diversity at Stahl, and ensure fair and equitable labor practices in the supply chain.

Keeping people safe and well

As part of the chemical industry, the occupational health and safety risks Stahl faces include chemical contact or exposure to hazardous substances for health, chronic (serious) illness linked to chemical exposure, slip, trip and fall, and fatal and serious incidents.



Goal: Maintain a safe working environment for all Stahl employees and contractors, with a goal of zero accidents.

Zero accidents

Our ambition is to create a true safety culture, with a target of zero accidents and incidents. To achieve this, we developed the Road to Zero (R20) program, which focuses on integrating safety into our company culture and ensuring that it is a shared responsibility for the wellbeing of our people.

Pillars of the R20 program:

- A true safety culture is a mindset that prevails inside and outside the workplace
- A good safety record is never achieved through a large effort by a small group of people, but by many small efforts from a large group of people
- The potential consequences of injuries at work mostly affect people and their social network outside work
- Stahl's zero-tolerance policy on unsafe behavior ensures people are not injured at work

R20 aims to embed safety into every layer of the business through engagement and awareness. In 2021, we carried out a safety survey among employees - called the Organizational Cultural Diagnostic – for all employees across Stahl's sites and offices worldwide. The response rate of 97% reflects the importance of this topic to employees.

Survey feedback on the areas of strength and improvement				
Strength	Improvement			
 At all sites, people help and support each other creating a "family like" environment. At local operational locations, employees are mindful for safety and are encouraged to report any safety issues. Front line employees have a good relationship with their supervisors and work very closely together. At many sites, employees appreciate the effort made by management for safety culture and value the support they get from the company. 	 Safety related communication: despite the good teamwork and family feeling, safety is not a common topic when communicating with colleagues. Safety perception as a fundamental and top priority is not consistent at group level. Safety may be perceived as a responsibility not linked to some job positions. 			

Monitoring our safety results

Stahl reports safety KPIs internally and to our shareholders on a monthly basis, including injuries, incidents, audits, training, engineering projects and other prevention methods.

In 2021, the rate of accidents and injuries increased, resulting in an increase in the total recorded injuries (TRI) frequency rate, lost-time injury (LTI) frequency rate and severity rate.

	2021	2020
TRI Frequency rate	8.545	4.549
LTI Frequency rate (accidents with lost work time)	1.375	0.840
Severity rate of accidents	0.045	0.003
Fatal accidents	0	0

• 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.

Improving employee safety through policy and training

We are working to reduce these injury and accident rates towards our goal of zero by 2030, including through policies. 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.

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.

The key principles of Stahl's Safety and Health policy:

- a strong safety culture involving the whole organization
- safety, health and environment as the top priority
- safety is more important than a short-term result
- implementing best industrial practices in addition to compliance to all legal requirements
- knowledge as the basis of all decisions. Stahl will require that employees are trained in the skills necessary to carry out their duties and make decisions ensuring safety

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.

Risk assessment

The Stahl Hazard Identification and Risk Assessment Methodology (SHIRAM) is our standard methodology for safety risk assessment. This methodology was 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 behavior, 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.

SHIRAM is implemented in a new platform – the ARA Platform – which replaced the previous Stature Platform in 2021. We manage all studies through this platform, so we can easily share information between sites. We will continue and intensify this development in 2022, introducing new templates and services and providing a clear reference within the digitalization landscape of Stahl.

Training

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. Every site has a training matrix that defines the knowledge required to perform each job. Operators working in production, and colleagues in labs, logistics, centers of excellence and offices are trained based on the type of work they do and the risks involved in their work.

Certification

We demonstrate our continuous improvements in safety through ISO certification. In the ESG Roadmap, we included the target to have all Stahl manufacturing sites ISO 45001 certified.

ISO 45001 replaces the previous standard, OHSAS 18001. One of the biggest changes is in leadership and management commitment: it takes a proactive approach that requires hazard risks to be evaluated and remedied before they cause accidents and injuries, while OHSAS 18001 takes a reactive approach that focuses solely on risks and not solutions. We have updated our approach in line with this change, to be more proactive.

Safety is also part of audits carried out by local authorities (as a condition of issuing permits).

Stahl's safety KPIs are audited and verified by Deloitte.

Customer health and safety

Our commitment to eliminating restricted substances in the value chain reflects our broader commitment to customer health and safety.

Our <u>Stahl Campus</u>[®] training modules are part of this. In 2021, 2,000 participants from 150 different organizations joined us in our interactive Campus trainings and lab sessions. We believe that by sharing knowledge training industry experts and students, and providing information about what's possible, we support the shift towards a more transparent supply chain.

In 2021, we continued to make progress on chemical safety in Bangladesh. The project, run by the Tegewa Group of chemical suppliers, of which Stahl is an active member, and the Dutch NGO, Solidaridad, is focused on practical ways to improve the safe handling of chemicals in the leather manufacturing cluster of Savar, in Dhaka, and on the well-being of factory workers in the cluster. An intensive training campaign began on the ground in 2021, for 1200 workers, including 50 managers and 350 peer-trained workers. Several webinars were broadcast to complement increasing awareness. The project officially ends at the end of 2022, but Stahl will continue to support the Savar leather cluster on this critical issue as part of its overall commitment to sustainable development.

Valuing our people

As an employer of 1,821 people, Stahl aims to provide a fair and equitable work environment, where people feel valued and supported.

In 2021, 1,821 people were employed in Stahl worldwide – an increase of 31 compared to the end of 2020. The increase is linked to resources required in Operations to address increased demand, and additional R&D staff to establish a permanent team focused on Open innovation.

Employee workforce in 2021 at a glance

Permanent contracts	90.23% of Stahl's employees
Workforce gender balance	25% female, 75% male
Total number of employees (headcount)	1821 <i>(vs.</i> 1,790 in 2020)
Departures (dismissals, resignations, etc.)	161.7
Hires	194.5
Voluntary staff turnover rate	4.08% (vs. 3.32% in 2020)
Absenteeism rate	2.35% (vs. 1.87% in 2020)
Training hours (per FTE)	15.58 hours (vs. 14.71 hours in 2020)

FTEs (full-time equivalent) as of December 31, 2021

Region	2021	2020
EMEA	913.5	888.8
Asia-Pacific	373.6	367.0
India and Pakistan	258.0	256.0
North and South America	255.0	258.7
TOTAL	1,800.1	1,770.5

In 2021 we successfully completed the Annual Performance Review Appraisal within the Employee Engagement Platform. This is the second year that this formalized approach to annual performance appraisals has been applied to all employees.

Training and education

Stahl is committed to supporting employees in improving their skills through training and education. COVID-19 meant in-person training was put on hold in 2020 however, though we were able to restart the program in 2021, employees had access to a rich range of online training throughout the pandemic, thanks to our e-learning catalogue, on compliance, cyber security, diversity, bribery and corruption, and developing soft skills.

Employees also attended several webinars on Stahl's strategic pillars and the ESG Roadmap to 2030. In total 334 employees attended a webinar on the ESG Roadmap and there was enough time to answer the many questions and suggestions that were shared. We plan to continue this series into 2022.

In 2021, more than 2,000 people from 150 organizations attended Stahl Campus[®] training courses around the world. This included on-site training courses and on-line webinars.

The Automotive Leather Finishing Post Graduate Certificate course was finalized in 2021 for some of the students and postponed into 2022 for others who could not attend due to travel restrictions. Held in Stahl Campus[®] Mexico, the six-week course (3 x 2-week modules held over the academic year) developed in collaboration with the University of Northampton (UoN), in which students receive a Post Graduate Certificate from the UoN upon completion. A third Post Graduate Certificate course is planned for October 2022, in Stahl Campus Europe.

The indicator of total hours of training is tracked locally by each Stahl unit and it is consolidated at Group level. The number of training hours received per employee in 2021 was 15.58 hours per full-time equivalent (FTE), compared to 14.71 hours per FTE in 2020.

A training was given to the procurement team on environmental topics such as sourcing renewable carbon and how we calculate all CO_2 emissions (direct and indirect). Especially the purchased goods and services category was explained and discussed in detail, including how we can reduce those emissions.

Diversity and inclusion

Stahl's Diversity and Inclusion Policy expresses the commitment to embedding equality, diversity and inclusion across the organization. Equal treatment is at the heart of the organization, and we believe this will produce a more innovative and responsive workforce.

We also believe that there is much more to diversity than age, gender, race and cultural background. A diverse workplace includes people who can offer a range of viewpoints and ideas. Our employees around the world are of 59 different nationalities (with the greatest diversity in Germany, with 29 nationalities) and of a wide range of ages.

Age of Stahl employees, 2021

AGE	HC	%
< 30 years	138	7.58%
> 30-50	1107	60.79%
> 50 years	576	31.63%
Grand Total	1821	100.00%

Consistent with the strategy of growing our leadership talent, diversity and inclusion principles are embedded within its core leadership development programs to encourage managers to demonstrate them as part of their leadership behavior. We also build cultural intelligence and equality into performance reviews, hiring and talent identification process. The Diversity and Inclusion Policy applies to the whole company, including the leadership team and the Stahl board.

In 2021, Stahl's CFO Frank Sonnemans <u>communicated the diversity policy on social media</u>. The company's approach to human rights and vigilance was also covered in the broadcast.

Gender equality

Gender equality is important to us. A good indicator for equal treatment is the percentage of women in supervisory positions, which is 25% (the same as the 25% in the total workforce). Stahl tracks the ratio of female/male employees (25% female and 75% male in 2021, see table below: Headcount) and the number of female employees in supervisory positions (employees with direct reports and/or holding a management position). In 2021 there were 96 women in supervisory positions, which is 25% of total supervisory positions (see table below: Supervisory positions).

Within those overall figures, the ratio differs greatly between departments. For example, there is a significantly higher proportion of men compared to women in production operations ('supply chain' in the tables) and in Stahl's leather chemical sales division. Both of these departments include jobs that have traditionally been less attractive to women. Excluding these departments, 41% of employees are women.

Headcount			
		%	%
Business unit	Total	Female	Male
General Management	37	46%	54%
Corporate Affairs (including ESG)	17	53%	47%
Business Demand	24	75%	25%
Finance & IT	145	44%	56%
Human Resources	27	85%	15%
Business unit Leather	400	13%	87%
Business unit Performance Coatings & Polymers	158	25%	75%
R&D and Technical Application	111	38%	62%
Supply chain (incl Operations, Procurement and Customer service)	902	21%	79%
Total	1821	25%	75%

The percentage of women in supervisory positions in 2021 matches that of our total workforce, at 25% (96 women), reflecting gender equality in career progression.

Supervisory positions			
		%	%
Business unit	Total	Female	Male
General Management	13	23%	77%
Corporate Affairs (including ESG)	8	38%	63%
Business Demand	11	82%	18%
Finance & IT	37	35%	65%
Human Resources	15	80%	20%
Business unit Leather	92	15%	85%
Business unit Performance Coatings & Polymers	55	15%	85%
R&D and Technical Application	21	24%	76%
Supply chain (incl Operations, Procurement and Customer service)	132	22%	78%
Total	384	25%	75%

We continue to aim for greater equality and higher representation of women across Stahl. As such, we have established targets in the ESG Roadmap.

During the year, we published more content on the theme of diversity in the Easy Learning Space (employee platform for online training) and we added an e-learning module on this topic.

Following the people experience survey, three global focus groups were organized to discuss the need for generation and gender equality, and Stahl's areas for improvement. Specific projects related to inclusion, for disabled people in particular, were organized in Italy, in cooperation with other companies and the University of Bergamo.

We recognize that gender is not binary, and we are committed to equal treatment of everyone. We have tracked and reported the percentage of employees in our different business units by gender for many years, and this is the information we continue to collect for consistency. However, we are aware that this does not provide the full picture, and we continue to discuss our approach with employees.

Equality and disability

Our commitment to equal treatment includes people with disabilities. Currently there are 11 disabled employees in Stahl (vs. 13 in 2020). The need to respect strict security and emergency measures can limit the opportunity to employ a high proportion of disabled people in our factories around the world, but this does not mean that it cannot be done.

During 2021, more content was published in the Easy Learning Space on the theme of diversity, and some e-learning training was added to the Stahl training suite. Three global focus groups were also organized after the people experience survey, to discuss the needs for and areas of improvements in terms of generation and gender equality.

Some specific projects related to inclusion for disabled people were organized. For example, in Stahl Italy, we replaced our cleaning service with a company that openly integrates people with disabilities into their staff. At the same time, we initiated a project with the University of Bergamo, presenting students with the challenge of coming up with ideas on how to implement more integration into companies like ours. We expect this to be translated into concrete actions in the future.

A supply chain of positive social impact

Human rights, modern slavery and corruption risk are managed through policy, training and strict governance. All Stahl's employees are responsible for ensuring these policies are applied throughout the company and the supply chain.

Stahl takes responsibility for monitoring human rights in the supply chain. We do this through a number of mechanisms:

- Human rights policy: The <u>Stahl Business Partner Code of Conduct</u> ensures that business partners conduct their activities in a manner that respects human rights, as per The United Nations Guiding Principles on Business and Human Rights.
- Whistleblower policy: Updated in 2021 to reflect changes in modern slavery and human rights policy, the Stahl whistleblower policy establishes clear rules that encourage employees to report suspicious behavior that could be in conflict with the Code of Conduct, with the necessary protection guarantee for the whistleblower in question.
- **Training:** We run mandatory e-learning training programs for all employees, focused on human rights and prevention of corruption and modern slavery. In this training, special attention is given to awareness and red flags that can indicate non-compliant behavior in the company and the supply chain. Voluntary e-learnings are also provided on diversity, communicate across generations and how to lead a generationally mixed team.
- **Vigilance:** Stahl's Vigilance Team monitors and takes action to mitigate human rights risk under the French Duty of Care Law. Senior management staff are part of the team, including the CFO, COO and the Director of Human Resources.
- **Auditing:** In 2021 the scope of Stahl's due diligence auditing of suppliers was amplified significantly through the EcoVadis ratings system, which is already used throughout much of the chemical industry supply chain. In 2021, 80% of Stahl's total spend on raw materials was supplied by EcoVadis rated suppliers.
- **Accounting:** Stahl has specific accounting procedures for anti-corruption for all Stahl locations around the world. This document covers best practices to be adopted for prevention and detection of corruption with regard to finance and payments.

Modern slavery

Stahl condemns modern slavery and child labor and does not participate in the trafficking, recruitment, or receipt of any persons, by means of threat or abuse of power. By behaving ethically and honestly with all its partners, Stahl is committed to ensuring that modern slavery does not occur elsewhere and it strives only to do business with organizations that uphold similar principles. <u>Stahl's Statement on Modern</u> <u>Slavery can be found on our website</u>.

Case study: Stahl employee survey

Fostering our commitment to the company culture

People will always be at the heart of Stahl. To continue to provide an inclusive, safe and creative working environment for its people, Stahl launched a global employee survey in 2021.

In 2019, the company introduced an Employee Engagement Platform (EEP) to encourage employee participation and foster commitment to the company culture. Online training and the annual performance reviews are tracked on the EEP. In 2021 we launched a successful survey on employee engagement: 92% of employees participated, exceeding the global engagement benchmark of 78%.

The goal of the survey was to understand the level of company engagement of our employees. The (anonymous) questionnaire focused on areas like Confidence in the Future, Employee Experience and Diversity & Inclusiveness Culture. The results gave important insight into our employees' engagement and their view of the company.

Some examples of feedback and engagement and improvement areas:

Positive feedback	Agree
I am keen to come to work at Stahl	83%
I have confidence in the future of Stahl	89%
I am informed about the important things that happen in this company through	85%
formal channels (webinars, Newsletters, Employee Corner, MS Teams, etc.).	
I receive the training I need to do my current job.	69%
Improvements	Agree
In Stahl, teamwork and cooperation are encouraged.	71%
Where I work, people give open and honest feedback to each other.	65%
The workload is reasonable.	61%
I am satisfied with my physical working environment (facilities, workspace, safety,	68%
lighting, air quality, temperature, etc.).	

The results were communicated to the management and action is being taken on relevant issues they raised. A global focus group was created after the employee survey to identify improvement actions for the following five areas:

- Our engagement index (including pride).
- Career Opportunities & Fair Treatment.
- Ability of the Management Team to publicly support/promote initiatives related to diversity.
- Creation of a diverse working environment to encourage creativity and inclusiveness.
- Open and honest feedback to each other.

The final result, a list of local and global actions, was discussed and approved during leadership team meetings in order to set priorities for the coming two years. We plan to launch another employee survey in 2023.

The Road to Governance Excellence

Doing good and doing well go hand in hand

Our commitment is to foster ethical behavior via the example of our leadership and by providing training, and robust compliance programs. Explore this section to learn about Stahl's governance and leadership, how we deal with ethics and compliance.

Impact topics: Governance

Transforming Stahl's leadership for a sustainable future

"Stahl takes an active role in organizations that are driving positive impact throughout the industry, like the ZDHC foundation, which is eliminating unwanted substances from the fashion industry, and the Renewable Carbon Initiative, which is replacing fossil carbon in the chemical industry. Stahl is an active board member of both of these governance bodies and sat on the Executive Committee of the Leather Working Group, which ensures environmental stewardship for tanneries, from 2017 to 2021."

Stahl Group has a matrix organization with a strong local presence and a regional set up and a centralized management located in the operational headquarters of Stahl Group, Stahl Holdings BV in the Netherlands. Stahl Group S.A. is the shareholder of Stahl Parent BV and Stahl Parent BV is the direct shareholder of Stahl Holdings BV as per the end of 2021.

Maarten Heijbroek was appointed as Stahl's CEO and member of the Board on 1 July, 2021. He succeeded Huub van Beijeren, who retired after 14 years at the helm. Huub's contribution to the growth and success of Stahl over the years cannot be overstated, and it was justly recognized and celebrated upon his departure. Huub continues to serve the company as a Stahl Board member.

The governance structure is as follows:

- The board of Stahl Parent BV is a one-tier board and responsible for the general affairs and strategy of Stahl Parent BV and its direct or indirect subsidiaries. The board is responsible for the formation and implementation of the corporate governance organization of the Stahl Group, including its management and reporting structure in accordance with the articles of associations of the relevant group companies and is responsible for ensuring compliance with such rules. In 2021, the board held 6 meetings and consisted of:
 - Two executive members: the CEO and CFO of the Stahl Group,
 - One former executive member (Huub van Beijeren),
 - Six non-executive members representatives of the Wendel Group and BASF Group (shareholders of the Stahl Group),
 - Two independent non-executive members.
- In 2021, Stahl agreed to apply gender balance targets for the leadership of the company. One woman joined the Stahl Board in 2021 - an increase in female representation from 11% in 2020 to 18%.

- Stahl Parent BV has an Audit Committee and a Nomination/Remuneration Committee. The Internal Auditor of Stahl reports to the Audit Committee. The Audit Committee meets four times per year and discusses topics relating to internal and external reporting and corporate governance.
- Stahl's former Management Team is now known as the Stahl Leadership Team. HR director, Michel Taraschi joined the Leadership Team in 2021. ESG is represented by the Chief Innovation Officer (CINO), John Fletcher.
- The Stahl Leadership Team is responsible for the day-to-day business management:
 - Chief Executive Officer (CEO),
 - Chief Financial Officer (CFO),
 - Chief Operating Officer (COO),
 - Chief Innovation Officer (CINO) including ESG,
 - Group Director for Leather,
 - Group Director Performance Coatings & Polymers,
 - Group Director R&D and Technical Application,
 - Group Director Human Resources.
- Regional management: the Stahl Group has four regional directors: Greater China & East Asia Pacific, India/Bangladesh, North America and Latin America. Europe and Africa are managed from the operational headquarters in the Netherlands.
- The Executive Control Group represents key senior functions of the Stahl Group, including the strategic business units, regional general managers and group support services (e.g. Finance, ESG, HR, marketing, communication, Tax, Legal, IT, Internal Audit & Risk). The Executive Control Group meets quarterly to discuss performance and strategy.
- Capex Committee, which is responsible for the review and authorization of capital expenditure requests.
- Stahl has a full-time internal auditor since 2020, directly reporting to the Audit Committee.

ESG governance

In 2021, a new member was added to the ESG team to manage supply chain transparency and chain of custody for our biomass based products. In early 2022, a new position was added to support the increased demand for Life Cycle Assessment data on our products.

The 2021 ESG team:

- Group Director ESG
- Group ESG performance manager
- Environmental Impact Manager
- 4 Regional Campus managers
- Supply Chain Transparency Manager
- Life Cycle Assessment Manager

The ESG team formally meets every two weeks with the CINO and continuously engages with finance, legal counsel, sales teams, product managers, researchers, product stewardship and operations staff to monitor the implementation of its 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, to review progress on the ESG Roadmap targets.

The ESG team supports commercial activities initiated by customers related to sustainable development *(e.g.:* chemical compliance, innovation on renewable resources and environmental impact assessment) *via* conferences, webinars and Stahl Campus[®] training courses.

KPIs (key performance indicators) related to safety, health & environment are measured and reported monthly by regional operations staff at Stahl manufacturing sites around the world. Environmental KPIs (CO₂ emissions, energy, water and waste) are consolidated by the ESG team into a report which is issued each quarter.

Ethics & Compliance

Stahl's strategic direction – and therefore policy – is influenced by and aligned with the UN Sustainable Development Goals, the UN Global Compact Principles and the OECD Guidelines for Multinational Enterprises. We have policies in place covering human rights, labor, environment and anti-corruption to ensure we mitigate any risks that arise.

Our policies

Code of Conduct for Employees	Stahl's Code of Conduct for Business Partners
Outlines what is expected of every person	All business partners must abide by all applicable
who works for Stahl.	anti-corruption laws and regulations of the
	countries in which they operate.
Stahl's Whistleblower policy allows	Tax policy
employees to report suspicious behavior,	Sets out the principles and guidelines applied to
while offering the necessary guaranteed	the group in accordance with international tax
protection.	standards like the OECD Guidelines for
	Multinational Enterprises and the "at arm's
	length" principle.

Employee engagement is critical for compliant and ethical operations. Our 2030 goal is for 100% of Stahl employees to be trained in the eradication of corruption and bribery in all its forms. In 2021, 95.9% of employees received anti-bribery and corruption training, and 97.5% were trained on corporate policies. Mandatory training on these topics applies to all employees.

There were seven cases of whistleblowing in 2021. All cases were investigated and closed.

Share of employees trained on these	98.6%	95.9%	100% of employees
subjects: Compliance training (anti-			trained on safety,
bribery and corruption)			anti-corruption and
Share of employees trained on these	new	97.5%	diversity
subjects: Corporate policies	employees		
(updated: Nepotism, Employee CoC +			
new: Human rights, Fair competition			
and Disciplinary action)			

Adhering to the French SAPIN II Law on corruption

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.

Key measures:

- 1. Code of conduct all employees must sign this
- 2. Alert mechanism Stahl's whistleblowing policy
- 3. Annual corruption risk mapping
- 4. Third party due diligence procedures taking a risk-based approach
- 5. Internal and external accounting control procedures including anti-corruption
- 6. Training program all Stahl employees follow annual anti-corruption e-learning training
- 7. Disciplinary procedure for non-compliant employees
- 8. Internal monitoring and assessment system

Industry governance

As one of the founding companies of the Renewable Carbon Initiative (RCI), Stahl continues to support and accelerate the transition to more renewable feedstock across the industry. In 2021, Stahl was involved in several working group activities, such as labelling Renewable Carbon content, and Life Cycle Assessment. We provided input on policy papers RCI published directed at the EU. The RCI expanded this year, welcoming new members.

We also deepened our connection with ZDHC: Stahl's ESG Director Michael Costello was elected to the ZDHC board of directors in 2021, one of two chemical industry representatives on the board of this influential brand-driven initiative which is eliminating unwanted substances from the fashion and footwear supply chain.

Stahl is an active member of the Leather Working Group (LWG) and served on the LWG Executive Committee as a board member from 2017-2021.

Appendix

About this report

Our reporting period runs from January 1, 2021 up to and including 31 December, 2021 and we have an annual reporting cycle with reports published in March. The date of our most recent report is March 19, 2021.

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 is fundamental to our ESG strategy: we engage with a variety of stakeholders within and external to Stahl to understand what different groups consider our most material impacts. There is increasing engagement with the wider chemical industry, as shown in our growing involvement with industry initiatives such as the Responsible Chemistry Initiative (RCI).

In 2021 a series of independent interviews were arranged with key Stahl shareholders about materiality. This was part of our continuous engagement with our primary stakeholders, which include our employees, customers, suppliers, investors and distributors and agents, and our secondary stakeholders, which are academic institutions, government (including public authorities), industry associations and foundations, consumer brands, NGOs and civil society.

Materiality

Stahl's approach to reporting and materiality is based on recognized, internationally agreed guidelines, like the Global reporting Initiative (GRI). This approach also ensures that the full scope of activities are taken into account, from operations and supply chain to interactions with suppliers, customers, consumers, shareholders, government and NGOs.

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

UNGC CoP Index

Our commitment to UNGC

This is the tenth consecutive year that Stahl has confirmed its support of the United Nations Global Compact and its ten principles in the areas of Human Rights, Labor, Environment and Anti-Corruption.

Stahl adopted the core values in our Code of Conduct in 2014. In this report we share our efforts, activities and progress made with our stakeholders. You can find Stahl's previous Communications on Progress on the UNGC website.

The table below highlights our efforts related to each of the UNGC Principles, and where you can find them in this report.

Торіс	Pages		
Human Rights			
Principle 1: Support and respect the protection of internationally proclaimed human rights.	26		
Principle 2: Ensure that they are not complicit in human rights abuses.	26		
Labor			
Principle 3: Uphold the freedom of association and the effective recognition of the right to collective bargaining.	26		
Principle 4: Eliminate all forms of forced and compulsory labor.	26		
Principle 5: Abolish child labor.	16, 26		
Principle 6: Eliminate discrimination in respect of employment and occupation.	24		
Environment			
Principle 7: Adopt a precautionary approach to environmental challenges.	8		
Principle 8: Conduct environmentally responsible activities.	8		
Principle 9: Encourage the development and diffusion of environmentally friendly technologies.	13		
Anti-Corruption			
Principle 10: Fight corruption in all its forms, including extortion and bribery.	30, 31		