



WENDEL

2019

# Universal Registration Document

including the annual financial report

INVESTING FOR THE LONG TERM

# EXTRA-FINANCIAL INFORMATION

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## 4.1 Wendel's new ESG ambitions

### 4.1.1 Wendel and ESG performance

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For some time, Wendel has believed that corporate social responsibility constitutes a driver for sustainable growth.

This certainty is rooted in the Wendel culture and has been guiding its vision as an investor for the long term. This has led Wendel to continue to encourage its companies to consider ESG performance in their new product and services development, in their operational and human resources management and in their procurement. The partnership between Wendel and the management teams of portfolio companies relies on the commitment to driving performance on several crucial extra-financial matters, including occupational health & safety and ESG innovation.

For nearly a decade, Wendel's Sustainable Development Team and Sustainability Steering Committee have been implementing and developing initiatives to increase the Group's ESG performance as well as transparency and the quality of its extra-financial information. In 2019, Wendel's long-standing efforts were recognised by the external extra-financial ratings agencies who assessed the performance of Wendel.

On the basis of these solid foundations, Wendel's Executive Board and Supervisory Board expressed in 2019 a renewed ambition to further develop Wendel's ESG approach, into a strategic pillar, aligned with its values and history.

This ambition was welcomed and rolled out by Wendel's teams with enthusiasm and commitment, guided by the eagerness to lead by example and to cultivate trustworthy relationships with all of the Group's stakeholders.

Wendel's mission in terms of ESG performance, outlined in this Universal Registration Document, is the fruit of intense collaborative work carried out through internal and external consultations with the help of ESG experts:

- almost all Wendel's employees participated in interactive workshops about the Group's values and corporate purpose. These workshops were held in a Group seminar dedicated to the sustainable development and digitalization of Wendel and of its subsidiaries;
- in-depth one-to-one interviews were carried out with over 30 stakeholders across all functions and levels of seniority, including independent members of the Supervisor Board, Wendel's executive team and Wendel family representatives;
- lastly, interviews with the management teams of the portfolio companies and Wendel representatives on their Board of Directors were carried out to assess the ESG maturity of the portfolio companies.

## 4.1.2 Corporate Purpose & Values

As part of the definition of its ESG strategy, Wendel carried out work to define its corporate purpose. At this time, the Wendel values were reviewed following a consultation with the company's internal stakeholders.

### Purpose

**Engaging with entrepreneurial teams to build sustainable leading companies.**

### Values

- Engagement
- Excellence
- Entrepreneurial Mindset

#### What does Engagement mean for Wendel?

**First of all engagement means a high sense of responsibility towards Wendel's people, companies, shareholders and other stakeholders.**

Wendel's most notable feature as an investor is its engagement. Over the last few months, Wendel has extended this commitment by increasing its support to the portfolio companies. Wendel's steadfast commitment makes it a unique investor: Wendel builds for the long term. Every decision is made with long-term interests in mind. Strategies employed by Wendel include providing Wendel's managerial input, supporting acquisitions and capital expenditure

and constantly focusing on innovation. Wendel also pays special attention to developing the employability of its people. Investing for the long term also generally means supporting and assisting companies through difficult times wherever possible.

Wendel's engagement is based on responsibility, trust, and genuine relationships. Wendel knows its people and its companies.

#### What does Excellence mean for Wendel?

**Wendel's founding family has stood by for more than three hundred years old.** The firm's long life can be attributed to its culture of excellence, achieved by building trust, rewarding those who remain reliable and setting high standards and upholding commitments.

First and foremost, excellence implies **open-mindedness** and **curiosity** that push teams to stretch boundaries.

Wendel strives to apply this excellence in its operational and financial discipline and in all investment analyses Wendel's teams carry out. As a listed company, Wendel commits to act as a role model to unlisted companies in its portfolio.

#### What does Entrepreneurial Mindset mean for Wendel?

**For Wendel, Entrepreneurial Mindset indicates a certain state of mind and a behavior that combines courage and reasoned boldness yet being responsible** as well as a desire to create something useful for staff, for companies and for communities.

### 4.1.3 Wendel's ESG Approach

Wendel's ESG approach is based on responsibility and is rooted in a firm belief in the core values of Engagement, Excellence, and Entrepreneurial Mindset.

Those values drive Wendel's behavior both as a company and an investor to deliver its mission: **partnerships with talented management teams to build sustainable, leading companies, whose performance in the long term will create lasting value for all stakeholders.**

To this end, Wendel has defined **2 main levers for impact: (1) its corporate behavior, including its engagement towards its people and communities; and (2) its investment and portfolio management strategies.**

As a professional shareholder investing for the long term, Wendel believes that it can positively impact society and contribute to a sustainable future. The Group has the desire and ambition to become a role model for its corporate peers, with a responsible attitude to the way in which it manages its projects and supports its companies in their transformation towards sustainability leadership.

In order to successfully carry out its mission, Wendel has defined engagements and clear and measurable goals to develop its ESG performance as a company and that of its portfolio companies. The Group has also allocated the necessary resources to enable its teams and companies to meet new expectations.



#### I. Wendel as a Responsible Company: Be a role model - Empower excellence and engagement

**Uphold the highest governance, ethics, environmental and operational management standards**

Wendel has made important commitments to ensure that its internal operations are conducted according to its values and the ESG goals defined within the portfolio companies.

First and foremost, Wendel ensures that integrity and transparency characterize everything the Group does. As a professional shareholder and a public company, Wendel promotes exemplary governance and risk management. At Wendel's level, this aim is primarily reflected in a solid governance structure comprised of two distinct bodies, built upon clear rules and open dialogue.

Wendel's Code of Ethics is also central to this commitment. It embodies the values of the Company's employees and

shareholders, supplies the frame of reference for Wendel's role as an investor and formalizes its strong commitment to human rights. Faced with the reality of current pressing environmental and social challenges, Wendel is also committed to positively impacting society, whether through its own supply chain and operations.

**Foster employability, inclusion, wellbeing, and engagement through concrete actions**

Wendel's people are essential assets and are key to its success. Therefore, Wendel is hereby committing to enhancing their employability by investing in their development and training. The Company strives to make Wendel a stimulating workplace by promoting inclusion and wellbeing. It also works to have a positive impact on its communities and to foster community engagement for its employees through tangible and meaningful initiatives.

Following in-depth work conducted by Wendel in 2019 on training, a career development program has been rolled out to enable everyone to fulfil his/her professional goals, both at Wendel and beyond. In a rapidly changing world, truly lasting employability is achieved through regular upskilling and reskilling. Wendel believes that fostering employability is its responsibility as an employer.

Wendel is deeply convinced of the virtues of diversity, which it sees as a vector of performance. In particular, improving gender balance will be a priority at all levels. A Diversity Task Force, which convenes at Wendel with representatives of all key functions and offices, will drive initiatives to reach this balance.

Similarly, engagement and wellbeing at work are essential for everyone to express his/her full potential. To understand the issues truly impacting Wendel's people, internal surveys will be conducted every other year and the results will be carefully analyzed to build action plans which will help to continuously improve its employer brand.

Finally, in recognition of the importance of supporting communities in which it is developing, Wendel is committed to maintaining and strengthening its philanthropic approach and to setting up skills-based sponsorship programs to enable its teams to directly contribute to causes aligned with both theirs and Wendel's values.

## II. Wendel, investing for the long term: Building sustainable companies

**Invest to support the prosperity and transformation of companies that are respectful of society and the environment**

**ESG performance is embedded in Wendel's mindset as an investor.** It believes that a stringent ESG approach to investment is the most relevant to upholding its responsibility vis-à-vis its shareholders and stakeholders. The investment opportunity assessment framework that it uses sets out a prerequisite for any new investment, the alignment of the company's activity with Wendel's values and corporate purpose and an assessment of long-term resilience.

Its permanent capital and the stability of its shareholder base gives it the time and ability to carefully develop and transform companies in which it invests. Wendel sees its commitment to the continuing prosperity of its companies as a legacy of long history and deeply rooted values.

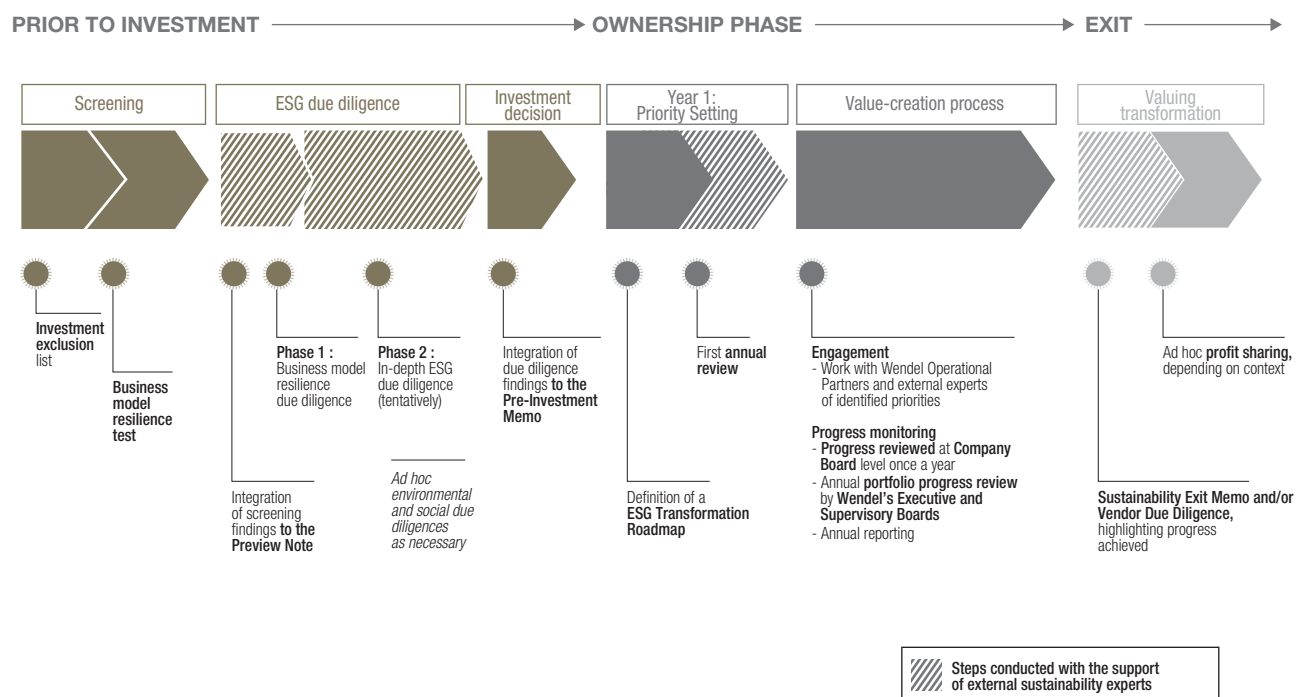
As an investor for the long term, Wendel's key goal is to support and transform companies with the potential to develop in a changing world and to deliver both return on investment to its shareholders and lasting benefits to society.

In other words, Wendel believes that taking ESG criteria into account for its investment activity helps to create near-term, medium-term and long-term value, without sacrificing the future for the present. Wendel believes that this balance requires a pragmatic approach and a desire for lasting innovation. In concrete terms, this translates into:

- a thorough analysis of long-term trends, as well as of Environment, Social, and Governance risks, impacts, and opportunities prior to any investment;
- the promotion of policies and decisions that promote long-term growth for its portfolio companies and which engage all their stakeholders in shared and sustained value creation;
- the sharing of its best responsible investment practices by evidencing the ESG progress made by the company during the investment;
- **Prior to investment:** all investment opportunities are systematically assessed through i) a newly defined exclusion list and ii) a business model resilience test. The ESG maturity of the companies is then assessed as part of an in-depth Sustainability due diligence;
- **During the holding period:** an ESG transformation roadmap is defined for each portfolio company, based on ESG due diligence carried out in advance. This roadmap systematically includes items related to operational eco-efficiency with a strong focus on climate change issues as well as the ESG innovation of products and services. Investment teams at Wendel and portfolio companies' management teams are also held accountable for progress against this roadmap with an alignment of variable remuneration with performance;
- **At exit:** the transformation achieved within the company will be highlighted and showcased through an exit memo and presented to the Supervisory Board. When circumstances allow it, Wendel ensures wherever possible, that it associates the teams of the divested company with the value created.

The key milestones of the process are summarized in the graph below:

Figure 1. Integration of ESG throughout the Investment Cycle



In addition, reflecting Wendel's long-standing commitment to transparency, Wendel recently became a signatory of the United Nations' Principles for Responsible Investment (PRI).

#### Summary of Wendel's Investment Exclusion Policy

Wendel has formalized an Investment Exclusion Policy which applies to all new investments following the signature of this policy by Wendel's Executive Board on March 11, 2020. Key elements of this policy are summarized below.

In addition to refraining from investing in entities involved in the production, marketing or use of, or trade in, illegal products or activities, Wendel will also not invest in entities directly and significantly involved in the production, distribution, marketing or trading in:

1. Tobacco;
2. Pornography;
3. Controversial weapons, as defined by the following treaties:
  - The Treaty on the Non-Proliferation of Nuclear Weapons (1968),
  - The Biological Weapons Convention (1975),
  - The Chemical Weapons Convention (1997),
  - The Ottawa Treaty (1997) on anti-personnel mines,
  - The Convention on Cluster Munitions (2008);
4. Gambling facilities or products;
5. Coal mining and coal-based power generation;
6. Drugs for recreational use.

## 4.1.4 Wendel ESG 2023 roadmap: Lead by example

### I. Be a role model - Empower excellence and engagement

#### Uphold the highest governance, ethics, environmental and operational management standards

COMMITMENTS	2023 TARGETS	KPIs	
GOVERNANCE & ETHICS	<p>Ensure that Wendel employees have the best tools and culture to work in an ethical manner by providing annual training and by supporting the deployment of robust compliance programs.</p>	<p>100% of new employees sign Wendel's Code of Ethics upon arrival.</p> <p>100% of employees and executives sign an annual Business Ethics declaration, stating their commitment to Wendel Code of Ethics.</p> <p>100% of employees follow Wendel's annual Business Ethics training course.</p> <p>Review and strengthen the Code of Ethics annually at Executive Board level to ensure that compliance with the highest standards.</p> <p>Ensure that the robustness of the Anti-Corruption Program receives a satisfactory audit assessment annually.</p>	<p>% of employees having signed the annual Business Ethics declaration.</p> <p>% of employees having followed Wendel's annual Business Ethics training course.</p> <p>Annual review of the Code of Ethics at the Executive Board level [Yes/No].</p> <p>Annual audit of Wendel's Anti-corruption Program [Yes/No].</p>
SOCIAL & ENVIRONMENT	<p>Carefully select and collaborate with suppliers to ensure that they adhere to the Wendel ESG standards.</p>	<p>Deploy a Responsible Procurement approach.</p>	<p>% of suppliers having signed Wendel's ESG clause.</p> <p>% of suppliers selected after an assessment.</p> <p>% of suppliers assessed by a recognized third-party, by risk level.</p> <p>Average rating for suppliers assessed (%).</p>
ENVIRONMENT	<p>Minimize Wendel's direct environmental impact and carbon footprint by making eco-efficiency a priority in decision-making factor.</p>	<p>Conduct an annual carbon footprint assessment and reduce Wendel's carbon footprint by:</p> <ul style="list-style-type: none"><li>■ supplying 100% renewable energy to Wendel offices globally;</li><li>■ offsetting all greenhouse gas (GHG) emissions that cannot either be avoided or further reduced;</li><li>■ offsetting travel-related carbon emissions.</li></ul> <p>Promote circular solutions and minimize office waste going to landfill.</p> <p>Deploy a plan to reduce the use of paper across all offices.</p>	<p>Direct (scopes 1 &amp; 2) GHG emissions (tons of CO<sub>2</sub>eq.).</p> <p>Indirect (scope 3) GHG emissions (tons of CO<sub>2</sub>eq.).</p> <p>% of renewable energy procurement.</p> <p>GHG emissions offset (tons of CO<sub>2</sub>eq.).</p> <p>% of emissions offset (ratio between Direct (scopes 1 &amp; 2) and emissions offset).</p> <p>% of reduction of unrecycled waste from offices operations.</p> <p># of circular solutions implemented across Wendel offices globally.</p> <p>% of reduction of paper used.</p>

## I. Be a role model - Empower excellence and engagement

## Foster employability, inclusion, wellbeing, and engagement through concrete actions

COMMITMENTS	2023 TARGETS	KPIs
<b>GOVERNANCE</b>	Nurture diversity and inclusion to expand the teams' perspectives and skills range.	
	Maintain or achieve gender balance, defined as maintaining a percentage of females within the workforce of between 30 and 60%: <ul style="list-style-type: none"> <li>■ among all Wendel employees;</li> <li>■ among employees in management positions;</li> <li>■ among Executive Board and/or Investment Committee and/or Management Committee;</li> <li>■ at Supervisory Board level.</li> </ul> Sign France Invest Diversity charter. Hold annual equal opportunity reviews. Talks to spark conversations and inspire change. Add ESG as a key mission of Wendel Supervisory Board and Wendel Governance and Sustainability Committee. Create a Gender and Diversity Taskforce aiming at reducing gender gap and promoting diversity.	<p>% of women among employees.</p> <p>% of women in management positions.</p> <p>% of women on Executive Board and/or Investment Committee and/or Management Committee and/or Coordination Committee.</p> <p>% of women on Supervisory Board.</p> <p># of Equal Opportunity Talks held annually.</p> <p># of Equal Opportunity Reviews conducted annually by Wendel's governance bodies (Committees, Executive Board, Supervisory Board).</p> <p># meetings of Wendel Governance and Sustainability Committee dealing with ESG related matters.</p> <p># meetings of Gender and Diversity Taskforce of Wendel annually.</p>
<b>SOCIAL</b>	Equip the teams with lasting professional skills by providing all Wendel employees with a personalized career development plan and professional mentorship.	<p># of employees with a skills development plan.</p> <p># of hours of mandatory training (e.g. annual business ethics training, etc.).</p> <p># of hours of non-mandatory training (soft skills or technical, in alignment with employee career development objectives).</p>
	Promote wellbeing to enable employees to reach their full potential.	<p>Conduct employee engagement surveys every two years, starting of April 2020.</p> <p>Formalize and deploy employee wellbeing at work action plans addressing survey findings.</p> <p>Employee engagement survey [Yes/No].</p> <p>Employee engagement survey participation rate (%).</p> <p>Employee engagement rate, measured by Third-Party (%).</p> <p>Employees wellbeing at work action plan [Yes/No].</p>
<b>SOCIAL &amp; ENVIRONMENT</b>	Enable the teams to contribute to causes aligned with Wendel's values.	<p>Offer the opportunity to contribute one day per employee per year to non-profit organizations operating in communities where Wendel is present.</p> <p>Establish long-term partnerships with at least two organizations.</p> <p># hours of volunteer work performed by Wendel employees during working hours (per year).</p> <p># of long-term [&gt; 2 years] partnerships formalized with non-profits [with location].</p> <p>Amounts (€) paid to different community/philanthropic projects.</p>

## II. Building sustainable companies

## Invest to support the prosperity and transformation of companies that respect society and the environment

COMMITMENTS	2023 TARGETS	KPIs
GOVERNANCE	Screen all potential investments using an up to date exclusion list reflecting Wendel's values as an investor.	100% of investment opportunities screened through Wendel's exclusion list.
	Annual review of Wendel's exclusion list and business model resilience test criteria at Investment Committee and Supervisory Board levels.	Annual review of the exclusion list by Investment Committee and Supervisory Board (Yes/No).
	Conduct ESG due diligence on business model resilience for all potential investments to confirm that the investment thesis is aligned with long-term trends, and full, in-depth ESG and compliance assessments on all new investments.	% of investment opportunities having undergone phase 1 ESG assessment regarding Business Model Resilience . % of investment opportunities having undergone a phase 2 in-depth ESG and compliance due diligence.
	Define precise ESG roadmaps for all portfolio companies.	% of portfolio companies with an ESG roadmap. % of portfolio companies for which progress vis-à-vis this roadmap is reviewed at Company Board level for each company annually. % of ESG transformation roadmaps reviewed each year by Wendel's Executive Board. % of ESG transformation roadmaps reviewed each year by Wendel's Governance and Sustainable Development Committee.
	Hold Wendel & portfolio companies management teams accountable for progress made against ESG transformation roadmaps.	100% of portfolio companies having formalized an ESG transformation roadmap aligned with their global strategy. 100% of portfolio companies' progress vis-à-vis this roadmap is reviewed at Company Board level once a year. Overall portfolio progress vis-à-vis their ESG transformation roadmaps is reviewed at Wendel Executive Board level annually. Overall portfolio progress vis-à-vis their ESG transformation roadmaps is reviewed at Wendel Supervisory Board level annually.
		% of portfolio companies' CEOs whose variable compensation is conditional on progress made vis-à-vis their ESG transformation roadmaps. % of variable compensation of Executive Board members which is conditional on overall portfolio progress vis-à-vis ESG transformation roadmaps. % of members of Wendel's Management team whose variable compensation which is conditional on overall portfolio progress vis-à-vis ESG transformation roadmaps.

## II. Building sustainable companies

## Invest to support the prosperity and transformation of companies that are respectful of society and the environment

COMMITMENTS		2023 TARGETS	KPIs
GOVERNANCE	Continuously improve the quality of extra-financial portfolio-level information disclosure.	Progressively align Wendel's annual extra-financial reporting with international standards, such as the Task Force of Climate Disclosure (TCFD) reporting framework.	Annual PRI score. Alignment with TCFD [Yes/No].
	Assess and address the portfolio companies' exposure to transition and physical climate risks.	100% of portfolio companies have assessed their carbon footprint. 100% of portfolio companies have assessed their exposure to physical and transition climate change risks and opportunities.	% of portfolio companies monitoring their Greenhouse Gas (GHG) emissions. % of portfolio companies with a Greenhouse Gas (GHG) emissions reduction plan.
ENVIRONMENT & SOCIAL	Promote operational excellence & ESG-driven innovation across the portfolio companies.	<b>Operational excellence</b> 100% of portfolio companies having identified environmental impact priorities and defined associated action plans. Consistent annual improvement of portfolio companies' accident frequency rate. <b>ESG-driven innovation</b> 100% of portfolio companies having identified product and services impact priorities and defined associated action plans.	<b>Operational excellence</b> Amount (€) spent on [CAPEX]/ and or saved through [OPEX] eco-efficiency measures annually. Workplace accident frequency rate (per 1,000,000 hours worked). <b>ESG-driven innovation</b> % of sales associated with sustainable products. Amount spent on ESG-driven R&D projects annually (€).

## 4.1.5 Existing ESG Practices at Wendel

Engagement with the UN SDGs

### SUSTAINABLE DEVELOPMENT GOALS



Aware of the importance of the United Nations' Sustainable Development Goals (SDGs) as a shared blueprint for sustainable growth, Wendel has selected SDG targets in line with its activity. Wendel believes that its ESG performance strategy will concretely support the achievement of the following SDG targets:

- 4.4 By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.
- 5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life.
- 8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services.
- 12.6 Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.
- 13 Take urgent action to combat climate change and its impacts.

Over the next three years, Wendel will work towards the development and promotion of those priority targets as part of its operations and within the portfolio companies for whom it will also support their efforts.

## 2019-2020 ESG Highlights

**I. Empower excellence & engagement****Uphold the highest governance, ethics, environmental and operational management standards**

- Wendel adopted a strategic ESG manifesto and 2023 action plan;
- Wendel's Code of Ethics is being updated to explicitly formulate its strong commitment to Human Rights, across its value chain;
- Wendel adopted a tax policy;
- Wendel conducted a carbon footprint assessment;
- Wendel is in the process of defining a responsible procurement process;
- 100% electricity used at Wendel Headquarter is produced through renewable sources.

**Foster employability, diversity & inclusion, wellbeing, and engagement through concrete actions**

- 360 employee evaluation has been carried out. A Training Plan was developed, building on its findings;
- a home office charter has been implemented (at Paris office);
- signatory of the France Invest Parity charter;
- employment survey on psychosocial risks has been conducted;
- since 2018, ESG objectives are integrated into the Executive Board's and Coordination Committee members variable compensation;
- Wendel answers to extra financial ranking.

**II. Building sustainable companies****Invest to support the prosperity and transformation of companies that respect society and the environment**

- Wendel has formalized a responsible investment process (including an exclusion list);
- signing of the six principles of the UN PRI:
  - to incorporate Environmental, Social and Corporate governance (ESG) issues into investment analysis and decision-making processes,
  - to be an active owner and to incorporate ESG issues into its ownership policies and practices,
  - to seek appropriate disclosure on ESG issues by the entities in which the company invests,
  - to promote acceptance and implementation of the Principles within the investment industry,
  - to work with the PRI Secretariat and other signatories to enhance their effectiveness in implementing the Principles,
  - to report on its activities and progress towards implementing the Principles;
- Wendel has conducted a portfolio review of ESG maturity;
- ESG due diligence is now systematically conducted as a prerequisite prior to acquisitions. [including the recent acquisition of CPI].

## 4.2 Wendel<sup>(1)</sup>

### 4.2.1 ESG governance involving the various internal stakeholders

Wendel believes that ESG (Environment, Social, Governance) topics within companies are an engine of growth for them. Through its long-term action, Wendel encourages its companies to implement ESG practices. At the same time, it defines its own ESG policy that is adapted to its role of investor and applied by a core team of professionals. The Sustainable Development department established by Wendel in 2011 coordinates initiatives in this area. It is guided by an ESG Steering Committee appointed by the Executive Board in 2012. Its members represent the Company's different business and support divisions: the Investment Committee, the Finance department, the Internal Audit department, the General Secretariat, the Communications and Sustainable Development department and the Operational Resources (human resources, IT and facilities management) department. In 2019, Wendel conducted an in-depth review of its ESG strategy. This work led to the definition of an ambitious strategy for Wendel accompanied by an action plan through 2023 for Wendel and its subsidiaries (see section 4.1).

The Communications and Sustainable Development department reports to the Executive Board, which regularly discusses ESG issues during its meetings. Within the Supervisory Board, the

subject is becoming increasingly important, which is why the Governance Committee was renamed the "Governance and Sustainable Development Committee" in early 2020.

Wendel adopted a Code of Ethics which embodies the values of the Company's employees and shareholders, and supplies the frame of reference for Wendel's role as a long-term investor. With a concern for constant improvement and to further its commitment to responsible practices, this Code of Ethics was is currently being updated to take into account Wendel's new ESG challenges; in particular, the Code of Ethics specifies its commitment to respect for human rights and the environment.

It applies to all employees and executives of the Company.

Historically, Wendel has paid special attention to two ESG themes within its subsidiaries: employee health and safety, as well as the integration of ESG performance criteria into the design of products and services (see part 4.2.4.1 "Extra-financial issues within Wendel Group subsidiaries: consideration of risks and opportunities to build sustainable leaders"). All companies subject to the EFPD obligation have been requested to integrate these two criteria into their risk analyses.

### 4.2.2 Extra-Financial Performance Declaration: reporting methodology

In the context of Decree No. 2017-1265 of August 9, 2017 transposing Directive 2014/95/EU of October 22, 2014 setting out the rules relating to the publication of extra-financial information in the management report provided for in Article L. 225-100 of the French Commercial Code, Wendel has produced the Extra-financial performance declaration (EFPD) presented in the following pages for the 2019 fiscal year.

Unlike the previous reporting framework (Grenelle 2), the companies concerned must publish the following information:

- an overview of the business model;

- a description of the main risks related to the business, covering social and environmental aspects and, where applicable, respect for human rights and the fight against corruption and tax evasion, including where relevant and proportionate, the risks created by the business relationships, products or services;
- a description of the policies applied, including, where applicable, the due diligence procedures implemented to prevent, identify and mitigate the occurrence of these risks;
- the results of these policies, including key performance indicators.

(1) The Wendel name includes Wendel SE, its holdings and its offices abroad.

## Business model

**MISSION**

Wendel works with entrepreneurial management teams to develop leaders for the long term

**VALUES**

Engagement  
Excellence  
Entrepreneurial spirit

**RESOURCES****PERMANENT CAPITAL****Family shareholding**

**39.1%** held

by Wendel-Participations  
and related parties\*  
(reference shareholder)

**Employee shareholding**

**74.5%** shareholders employees

owning 0.9% of capital

**Individual investors**

**19.3%** of capital held  
by nearly 23,000 individuals

**Institutional investors**

**35.2%** of capital held,  
across 30 countries

**Bond investors**

accounting for **€1.7 billion**

**GOVERNANCE****Supervisory Board**

- 12 members, including  
6 members of the Wendel family  
and 1 employee representative
- 45% independent members
- 45% women
- Audit, Risk and Compliance  
Committee
- Governance and Sustainable  
Development Committee

**Executive Board**

- 2 members appointed by the  
Supervisory Board for 4-year terms

**Committees**

- Investment Committee
- Management Committee
- Coordination Committee

**ESG STRATEGY****Serve as a role model  
Promote excellence  
and commitment**

- Foster employability, inclusion,  
well-being and commitment  
through concrete actions
- Adhere to the highest standards  
in governance, ethics, environment  
and operational management

**Build sustainable  
companies**

- Invest to support and transform  
companies with respect  
for the environment and society

**Lead by example  
in addressing ESG  
challenges**

- Compliance program including  
Sapin II requirements
- Carbon footprint and actions  
to reduce its carbon footprint
- Responsible purchasing practices

**Sponsorship**

- Partnership with INSEAD  
since 1996
- Founding sponsor to Centre  
Pompidou-Metz since 2010
- Philanthropic Committee

**HUMAN  
RESOURCES**

- **90** employees  
based in Paris, Casablanca,  
London, Luxembourg,  
New York and Singapore
- **52%** of the total  
staff are women
- **21%** of investment  
team members are women

Wendel's business model as of December 31, 2019.

\* In accordance with Article L. 233-10 of the French Commercial Code, the data include Wendel-Participations SE, its Chairwoman, Priscilla de Moustier, and Société Privée d'Investissement Mobiliers (SPIM).

## OUR INVESTMENTS



Wendel invests its capital, as the majority or lead shareholder, in companies which are leaders in their sectors or have the potential to rise to the top. As it assists these companies, Wendel promotes responsible, sustainable growth for the long term.



### BUREAU VERITAS

Certification and inspection services  
Since 1995



### ALLIED UNIVERSAL

Security services  
Since 2015



### CONSTANTIA FLEXIBLES

Flexible packaging  
Since 2015



### CRISIS PREVENTION INSTITUTE

Training services  
Since 2019



### CROMOLOGY

Decorative paints  
Since 2006



### IHS TOWERS

Telecoms infrastructure  
Since 2013



### STAHL

High-performance coatings and leather-finishing products  
Since 2006



### TSEBO

Business services  
Since 2017

### WENDEL LAB

Investments in innovation  
Since 2013

### OTHER ASSETS

## VALUE CREATED WITH AND FOR STAKEHOLDERS



### Measurement of value creation

- Over €9 billion of gross assets
- Over €5 billion in market capitalization
- Net Asset Value (NAV) of €166.30 per share on 12/31/2019, or a 12.8% increase
- Overall yield (dividends re-invested) of 11.8% per annum since 06/13/2002



### Support for companies

- Active and ongoing assistance, discussions on risk taking, sharing of experiences and pooling of financial and technical expertise
- Representation on the companies' boards of directors and key committees



### Shareholder dialogue

- Institutional investors: 370 meetings
- Wendel Shareholder Advisory Committee: 3 meetings
- Letter to shareholders: 3 letters
- Governance roadshows
- Lead director



### Employee development and value sharing

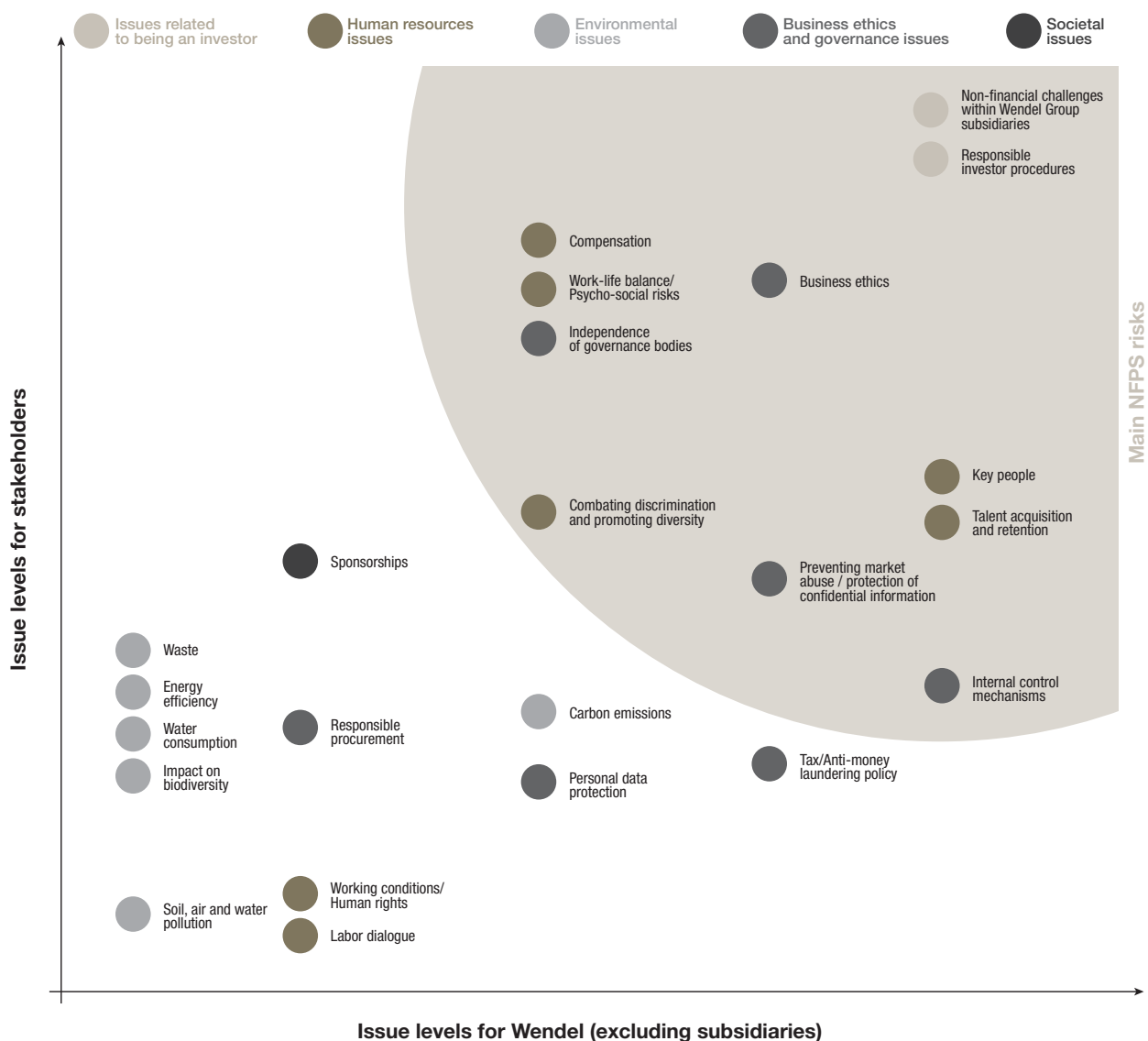
- 16.5 hours of training per employee
- Profit-sharing agreement, group employee savings plan, collective pension fund
- Supplementary pension plan
- 94% employees were awarded stock options and performance shares
- Reimbursement of daycare expenses
- Supplemental insurance, contingency benefits

### At the Wendel level

For fiscal year 2018, Wendel identified the main extra-financial risks relating to its business, based on the operational risks, interviews with its various departments, the international SASB reference framework and the reports of extra-financial rating agencies (ISS Oekom and Sustainalytics). This work was conducted again for

fiscal year 2019 to ensure its relevance, in collaboration with the sustainable development and communications, human resources, internal audit and finance and General Secretariat departments. These risks were submitted to the Wendel Executive Board for approval and reviewed by the Wendel Audit Committee.

The main risks that were identified are the ones presented in the following matrix:



These main risks, as well as their mitigation policies, action plans and tracking KPIs are presented in this chapter and are identified in the summary by the following icon:

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#### Description of the risk

The cross-reference table below links the extra-financial information required in the Extra-financial performance declaration (EFPD) with the other parts of the Wendel Universal Registration Document, when they are relevant to the Company's main risks or policies, in accordance with Article L. 225-102-1 of the French Commercial Code.

Topics	Paragraph
<b>Business model</b>	
Description of the main businesses (business segments and/or divisions), products or services, including key figures (volume of activity, headcount, results) by business/division and/or geographical area	Introductory guide + pages 30 to 42
Interactions within its subsidiaries/business segments (customer categories, potential partnerships, use of subcontracting, competitive positioning, relations with stakeholders, etc.)	Competitive positioning: part 1.2
Challenges and outlook for the entity and its businesses (market trends, ongoing transformations, sectoral sustainable development issues, etc.)	Strategic orientations: p. 25 & part 1.3.4
Information relating to value creation and its distribution among stakeholders	Dividends: part 8.1.2 Commitments in civil society: part 4.2.7
Vision and objectives of the entity (values, strategy, transformation or investment plan)	Section 1.3
<b>Main risks related to Wendel's business</b>	
Extra-financial challenges in Wendel Group subsidiaries: awareness of the risks and opportunities to create long term value	Part 4.2.4.1
Risks related to the human resources of Wendel teams	Part 4.2.4.2
Risk of non-independence of governance bodies and control mechanisms;	Part 4.2.4.3
Risks linked to Business Ethics	Part 4.2.4.4
<b>Other information disclosed by Article L. 225-102-1 of the French Commercial Code</b>	
The employee-related consequences of the business, particularly with regard to collective agreements and their impact, the fight against discrimination and the promotion of diversity, societal commitments, disability	Part 4.2.4.2
The environmental consequences of the business, in particular with regard to climate change, the circular economy, food waste, the fight against food insecurity, respect for animal welfare and responsible, equitable and sustainable nutrition	Environmental risks have not been identified as relevant in view of Wendel's investor activity (other than risks related to the business of the companies that it controls). However, Wendel believes that climate issues are everyone's responsibility, and it conducted a carbon audit in 2020. Climate issues are the subject of specific commitments in the 2023 plan, see section 4.1.3.
The impact of the business on respect for human rights	Part 4.2.4.2 "Promotion and respect of the ILO fundamental conventions"
The impact of the business on the fight against corruption	Part 1.3.4

In 2019, Wendel initiated a strategic project to make ESG the core of its strategy.

Additional information (not directly related to the main extra-financial risks) is presented to provide a better

understanding of Wendel's ESG context. This is the case especially in part 4.1, which presents the Group's approach and its ESG 2023 Roadmap: Lead by Example.

### At the Wendel Group subsidiary level

Wendel is the majority shareholder in Bureau Veritas, Constantia Flexibles, Cromology, Stahl, Tsebo and CPI. With the exception of CPI which will not be consolidated until 2020, the financial statements of these companies are fully consolidated in the Group's consolidated financial statements and must be included in Wendel's Extra-financial Performance Declaration and reviewed by an independent third-party body, as required by Article L. 225-102-1 of the French Commercial Code (Code de commerce).

As a result, the same exercise was carried out in each of the companies in the consolidated portfolio and was updated for fiscal year 2019. Wendel, assisted by an external consulting firm, provided a methodology for identifying and prioritizing the main extra-financial risks to the companies in the scope in question (excluding Bureau Veritas): Cromology, Constantia Flexibles, Stahl and Tsebo. The results of this work have been validated by the appropriate governing body of each company in the portfolio and the risk analysis methodology used to obtain them was reviewed by an independent third-party body. The main risks are presented for each of the companies that it controls (section 4.3 "Wendel's subsidiaries reviewed by an independent third-party body").

Bureau Veritas, Wendel's largest controlled company, listed on Euronext Paris and included in the Next 20 index (Compartment A, ISIN Code FR0006174348, stock symbol BVI), publishes an EFPD

for itself, which is available in its own 2019 Universal Registration Document and reviewed by an independent third-party body. In the section of this chapter about portfolio companies, Wendel publishes an introduction to the extra-financial information from Bureau Veritas.

In addition, the data on the companies that it controls published in part "4.2.4.1 "Extra-financial issues within Wendel Group subsidiaries: consideration of risks and opportunities to build sustainable leaders" concerns the fully consolidated subsidiaries (Bureau Veritas, Constantia Flexibles, Cromology, Stahl and Tsebo).

Every Group subsidiary and associated company is expected to develop an ESG policy addressing its specific issues. Each company has therefore established targets and action plans based on its sector's regulatory environment and its individual growth strategy. Group companies operate in very different fields (see section 1.7 "Subsidiaries and controlled companies") and are at different stages of maturity in implementing dedicated ESG policies and indicators. Wendel therefore does not consider it appropriate to consolidate all indicators used since this information would have no operational significance, but has chosen to publish mainly indicators for monitoring the ESG policies of the companies it controls. However, to provide a comprehensive reading of the portfolio's performance, Wendel publishes consolidated indicators for certain themes where relevant.

## 4.2.3 Duty of Care

In 2016, in response to the requirements of the law of March 27, 2017 on the Duty of Care, Wendel's CSR Steering Committee set up a working group to create a vigilance plan applicable to the Group companies affected by this regulation. The principal Group companies affected by the Duty of Care are Bureau Veritas, Constantia Flexibles, Cromology, Stahl and Tsebo.

With regard to information published pursuant to Article R. 225-105-1 of the French Commercial Code, a certain number of tools and procedures had already been implemented on topics covered by the duty of care.

As an investment company that acts as a professional shareholder, Wendel does not take part in the operational management of its subsidiaries. It ensures that the risks targeted by the Duty of care regulation are taken into account by the subsidiaries it controls, however, to the extent they relate to their business. In this context, the relevant companies completed a questionnaire about their risk environment with respect to the topics covered by the Duty of Care regulation:

- preventing violations of human rights and fundamental freedoms;
- personal health and safety;
- preventing harm to the environment.

On the basis of this questionnaire, vigilance plans were drawn up by the companies within the relevant scope in accordance with applicable regulations and are published in this Universal Registration Document. In 2019, a review of prevention plans and policies was conducted by an auditing firm whose findings are communicated to the companies.

As Wendel is a holding company made up of a small management team, its duty of care largely relates to its controlled companies and is thus covered in the EFPD. Nonetheless Wendel incorporated duty of care into its whistleblowing procedures and began setting up a third-party assessment procedure. With regard to environmental protection, Wendel has strengthened its carbon footprint and renewable electricity policies (see 4.2.6.).

The vigilance plan of each entity controlled by the Wendel Group is presented in the section of this chapter devoted to it.

## 4.2.4 Wendel's main extra-financial risks

The main extra-financial risks identified by Wendel are as follows: extra-financial risks within subsidiaries, risks linked to human resources, governance bodies and control mechanisms, and business ethics.

### 4.2.4.1 Extra-financial issues within Wendel Group subsidiaries: consideration of risks and opportunities to build sustainable leaders

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#### Risk description

By investing for the long term, Wendel is committed to working with entrepreneurial teams to build sustainable leaders. Wendel believes it is essential for the companies in which it invests to take into account extra-financial issues, both in terms of the risks they may involve and the sustainable value creation opportunities they represent.

Wendel makes sure that management in its portfolio companies takes the appropriate measures to prevent and/or mitigate extra-financial risks and seize every opportunity to create value over the long term. For Wendel, this is a matter of strengthening its positive impact – in strict compliance with its role as a shareholder and with rules of governance – on the companies in its portfolio by encouraging them to take ever greater account of extra-financial issues.

#### Policies and results

Beyond the implementation of the regulations mentioned in 4.2.2 and 4.2.3, Wendel has a responsible investor strategy and integrates the study of ESG (Environment, Social and Governance) risks and opportunities throughout the life cycle of its investments, in particular:

The main stages of this process are summarized in the diagram "Integration of ESG criteria throughout the investment cycle", section 4.1.3.

#### 1) *upstream of investment:*

In 2020, Wendel adopted a responsible investment procedure that includes demanding ESG due diligence. This procedure contains a binding exclusion list by which Wendel undertakes not to invest in certain sectors it considers contrary to its values and its mission (see section 4.1.3):

Whenever Wendel considers an equity investment, due diligence on environmental and social issues is carried out.

In 2019, 100% of late-stage investment opportunities have undergone ESG due diligence.

#### 2) *through the long-term support it provides to its companies:*

As a shareholder, the Wendel Group is not involved in the operational management of its subsidiaries but does ensure, mainly through close communication with their management and the Boards of Directors, that these companies gradually integrate ESG issues in their risk management and strategies. The controlled companies are already subject to numerous national regulations, and this dialogue is carried out in compliance with local laws:

For 2019, the results of ESG support for controlled companies (5 companies) are as follows:

- 100% of companies had a Committee or Board of Directors that reviewed ESG in 2019;
- 100% of the companies have updated their mapping of extra-financial risks and their mitigation policies, as well as specific indicators allowing for these risks to be monitored, within the framework of the EFPD regulation;
- 100% of the companies have updated their vigilance plan on ESG issues in their business and that of their suppliers and/or subcontractors, as part of the regulation on the Duty of Care. Four of them were not subjected to this regulation outside Wendel's control;
- As part of the deployment of Wendel's Compliance program, 100% of companies have deployed a compliance program, implemented an anti-corruption policy, formalized risk mapping specific to corruption and a whistleblowing system.

Even though the responsibility for managing extra-financial issues is assumed directly by the management teams of the various companies, through its role as a professional shareholder, Wendel oversees and promotes the ESG initiatives of its subsidiaries and controlled companies, in particular in two areas: employee safety and ESG performance of products and services;

- As a shareholder Wendel is particularly attentive to **issues related to employee and consumer health and safety**, which it considers priorities. It views the safety of employees and consumers as the most important of a company's responsibilities and a fundamental prerequisite to good management. Workplace health and safety indicators are often revealing in terms of how well a company is run:
- 100% of the consolidated controlled companies monitor accident statistics (frequency and severity rate of work accidents, using their own methodologies);

- 100% of companies have a dedicated policy on employee health and safety;
- 100% organize training courses dedicated to health and safety.

For example, at Bureau Veritas, Cromology and Constantia Flexibles, the criteria used in determining the variable compensation of management includes occupational health and safety criteria. This indicator has also been monitored by Stahl's Board of Directors at Wendel's request since 2006, when Stahl joined the Group, and has been declining steadily since then, although it was at a low level to begin with. Moreover, 100% of Cromology's industrial sites are OHSAS 18001 certified.

Constantia Flexibles has also been rewarded for its efforts in the field of occupational safety, since the frequency rate of lost-time incidents has decreased by 76% since 2015, when Wendel became the majority shareholder.

In 2018, Bureau Veritas carried out a project to improve the management system and integrate ISO 45001 (the standard that replaced OHSAS 18001). In 2019, Bureau Veritas exceeded its 2020 target of 85% of activities being certified ISO 45001 (excluding certification activities that are subject to specific accreditations and excluding companies acquired in 2018 that have a period of one year to deploy the group's management system and integrate the Bureau Veritas certificate).

- **The integration of ESG (Environment, Social and Governance) dimensions into the performance of products and services** designed and distributed by the companies is encouraged and monitored by Wendel, which considers these dimensions as opportunities. If the portfolio companies did not take them into account, they would risk losing competitiveness and not responding to new consumer demands.

For example, with its solutions, Bureau Veritas helps customers continuously improve their operations in the areas of health and hygiene, safety and the environment, and it has developed a specific ESG offer to meet the needs of companies, called Circular+. In 2019, revenue from Certification's Sustainable Development offer grew by 15%.

More than 75% of products designed by Stahl are now solvent-free. Cromology's strategy is to develop innovative products with new functions that are more resistant, and therefore better for the environment from a life-cycle perspective, and that meet French "HQE" (High Environmental Quality) standards. Cromology achieved its goal of reducing the volatile organic compounds (VOC) emissions of its products over a ten-year period. Around 90% of the paint in its product ranges is now water-based. Similarly, Constantia Flexibles is committed to ensuring that 100% of its packaging solutions are recyclable by 2025.

In addition, Stahl and Constantia Flexibles, use the life-cycle analysis (LCA) methodology of their products and processes.

Owing to its catering activity, and with the help of dieticians, Tsebo has integrated nutritional food quality issues and has developed several programs targeted towards its customers to encourage them to adopt healthier consumption habits (for more information, please refer to the Tsebo EFPD).

### 3) in the ESG management of subsidiaries:

Since 2018, on its own initiative, Wendel has been collecting and publishing data<sup>(1)</sup> on the ESG performance of the companies in the following areas:

#### Governance

- The shareholder governance bodies (Board of Directors or Supervisory Board, as the case may be) have an average of 23% women and 40% independent members (as defined by the Afep-Medef Code);
- The operational governance bodies (Management Committee or Executive Committee, as the case may be) have an average of 17% women members.

#### Social

- The number of employees in the Wendel consolidated portfolio at December 31, 2019 was around 130,000, spread over Europe, North America, South America, Africa and Asia;
- 35% of these employees are women;
- 100% of the five controlled companies have a training plan with a total of 1,707,780 hours of training provided in 2019<sup>(1)</sup>.

#### Environmental

- 100% of the five companies have an environmental management system (in particular through ISO 14001 certification of all or part of their business scope);
- 60% of the five companies use renewable energy in their energy consumption;
- 80% of the five companies calculate their scopes 1 and 2 carbon emissions, which total 450 kT of CO<sub>2</sub> equivalent. Scope 3 emissions were calculated and/or estimated for 60% of companies over the last four years;
- 60% of the five companies have set and publicly communicated quantitative targets for the reduction of CO<sub>2</sub> equivalent emissions.

#### Societal

- 100% of the five companies have societal commitments in order to redistribute the value created by their business to external stakeholders.

In addition, in 2019, Wendel conducted a review of the ESG maturity of its portfolio companies to improve their performance in these areas.

(1) These indicators concern Wendel's full consolidation scope and cover Bureau Veritas, Constantia Flexibles, Cromology, Stahl and Tsebo. To consult the reporting methodology for the data collected by each of the companies, as well as the details of the measures and policies implemented by each company, please refer to the appropriate chapters.

#### 4.2.4.2 Risks related to the human resources of Wendel teams

##### Risk description

The Wendel Group's primary resource is its human capital.

Wendel operates a service business which demands a high level of skills and commitment from its employees. Employees are key to delivering its mission since they are responsible for the relationship with portfolio companies and must continually engage with them in a constructive manner on all strategic aspects of the Company's activities.

Attracting and retaining talent over time is therefore a key factor in the Group's success. However, the size of Wendel's teams (90 employees worldwide) limits this risk.

##### Policies and results

Managing these risks entails setting a good example (which starts with executives), providing adequate training, creating attractive working conditions, promoting diversity within teams, offering competitive pay, and appraising performance in a way that encourages transparency, progress and teamwork.

The Human Resources department's local management of HR matters for employees in France and worldwide also means the Company can offer an effective response to any needs or risks that may arise. Moreover, the system for managing HR data within the Group has been overhauled meaning that data and KPIs can be managed more effectively.

##### Context of Wendel teams

As at December 31, 2019, Wendel and its holding companies employed a total of 90 people.

Wendel has foreign offices dedicated to investment research and/or support the Group's companies in their international expansion. The Luxembourg-based company (established in 1931) also acts as a holding company. Other offices have been established more recently: in Morocco, Singapore and the United States in 2013 and the United Kingdom in 2015. Companies located in Japan and the Netherlands closed in the first half of 2019.

##### In France

Wendel has 54 employees in France. In addition to the investment team and the senior management team, 10 or so experts specializing in finance, law, taxation, sustainable development and communication work in the management teams on investment and divestment transactions in France and abroad on a day-to-day basis.

In 2019, Wendel employed two people on fixed-term contracts (one apprentice and one fixed-term contract) and a temporary worker. These resources are not included in the Company data presented in this chapter.

The remaining staff in the Finance, Legal, General Secretariat, Tax, the Sustainable Development and Communication and Operational Resources departments support Wendel's offices in France and abroad.

Employees with a permanent <sup>(1)</sup> employment contract in France: staff numbers and change	12/31/2019			12/31/2018			12/31/2017		
	Non- management	Management	Total	Non- management	Management	Total	Non- management	Management	Total
Total workforce	6	48	54	4	50	54	5	46	51
of whom Women	3	27	30	1	27	28	2	24	26
Male	3	21	24	3	23	26	3	22	25
New hires <sup>(2)</sup>	2	9	11	-	7	7	-	6	6
of whom Women	2	4	6	-	3	3	-	3	3
Male	0	5	5	-	4	4	-	3	3
Departures <sup>(2)</sup>	0	8	8	-	4	4	3	7	10
of whom Women	0	4	4	-	1	1	2	4	6
Male	0	4	4	-	3	3	1	3	4

(1) Workforce France permanent contracts.

(2) New hires and departures including internal mobility of 3 employees, from abroad to France and vice versa, having taken place in 2019 (recognized as -1 in the departure country and +1 in the host country) and expatriated employees who are no longer included in the headcount in France. Mobility between offices abroad are not recognized.

### Overseas

The holding companies and offices outside of France are located in five countries and have 36 employees, almost two-thirds of

whom are in the investment teams (investors + office managers and assistants). The rest of the teams work primarily in financial and legal activities at the holding company in Luxembourg.

Employees with a permanent <sup>(1)</sup> employment contract abroad: staff numbers and changes	12/31/2019	12/31/2018	12/31/2017
Total workforce	36	43	46
of whom Women	17	19	21
Male	19	24	25
New hires <sup>(2)</sup>	5	3	6
of whom Women	4	2	3
Male	1	1	3
Departures <sup>(2)</sup>	12	6	4
of whom Women	6	4	1
Male	6	2	3

(1) Workforce with an employment contract abroad.

(2) New hires and departures including internal mobility of 3 employees, from abroad to France and vice versa, having taken place in 2019 (recognized as -1 in the departure country and +1 in the host country). Mobility between offices abroad is not recognized.

### Key people

Due to its small workforce, Wendel must ensure that its business is not affected by the departure of key people.

Insofar as possible, Wendel takes the necessary steps to ensure that each specific skill or expertise is possessed by at least two people.

Moreover, the collegial nature of Wendel's processes for making investment and divestment decisions and for monitoring portfolio companies also limits the potential impact of the departure of key personnel.

### Talent acquisition and retention

In order to maintain its position as a competitive and attractive company, Wendel is committed to hiring excellent talent, creating the best possible working environment for its employees whilst developing their skills.

#### Training in fish production

Developing the employability of its staff is one of Wendel's priorities.

The process of 360° feedback introduced in 2018 has helped to improve the standard of personal objectives set for all employees. 100% of permanent employees took part in 2019.

Wendel offers its employees customized training to ensure that they always have the skill level required to perform their jobs.

As such, in line with its global strategy, the Company has introduced a new training catalog divided into various themes (job-related, technical, behavioral etc.) to support the development of teams and the organization. This training catalog supports employee objectives and will be rolled out across all countries throughout 2020. This process begins with a "Get to Know" process which enables everyone to get to know existing business lines within the Company and to gain a better understanding of the issues associated with each job.

In total, 88 people, including those having arrived or left mid-year or those with a temporary contract, have been trained, totaling 1,449 hours.

On average, this represents 16.5 hours of training per employee<sup>(1)</sup>. In France, training on average was 14.5 hours per employee compared with 18.3 hours in 2018.

(1) Employees with a permanent employment contract, all offices combined, at 12/31.

KPIs	2019	2018	2017
Percentage of employees trained	92.2% <sup>(1)</sup> (all countries)	100% (France)	55.7% (France)
Training hours per employee	16.5 (all countries) 14.5 (France only)	18.3 (France only)	not available

(1) Percentage of employees present in 2019 who participated in training.

### Work-life balance, working conditions and psycho-social risks

As an employer, Wendel has a responsibility to ensure that its employees benefit from working conditions that are conducive to their professional and personal balance. This balance is also a guarantee of their long-term commitment and investment in the Company's goals.

#### In France

Support for managers, regular meetings with employees and close dialogue with employee representatives (Works Councils), aim to optimize working conditions and relations. In this way, Wendel can implement the measures that most closely match staff expectations.

To help employees better reconcile their professional and family responsibilities, since 2010 Wendel has offered free daycare for the children of any employees who request it. In 2019, Wendel financed daycare for four children, for the benefit of four employees.

Furthermore, in addition to the part of the Social and Economic Committee's budget devoted to social and cultural activities (e.g. holiday vouchers, gift vouchers, discounted cinema tickets, etc.), Wendel covers various services: sports lessons, Cesu checks (Checks for Universal Employment Services), comprehensive health checks.

Wendel has introduced remote working within the framework of a specific charter signed in November 2018 and rolled out across France in February 2019.

#### Overseas

Abroad, Wendel strives to provide similar services in line with local practices (examples: quality health coverage, contribution to the cost of gym membership, etc.).

Moreover, Wendel wants to introduce a process for improving quality of life at work. With this in mind, at the end of 2019 the Company decided to launch a survey to assess psychosocial risks. Although this is a requirement under French law, the Company has opted to extend it to all international offices. The survey concluded on January 31, 2020 and will be used to identify potential areas for improvement to be implemented.

There are also plans to introduce an internal participatory tool to assess quality of life at work.

All of these measures enhance the appeal of Wendel's employer brand.

### Indicators

Wendel's Human Resources department closely monitors all Wendel Employees in France and overseas.

	2019	2018
Absenteeism (scope: France) <sup>(1)</sup>	1.66%	3.11%

(1) Methodology for calculating absenteeism:  $(\text{total days of absence} \times 100) / (218 \text{ days} \times \text{average number of employees})$ .

Absences recognized: illness, commuting accidents, work-related accidents, sick children, part-time working on health grounds/absences not recognized: family events and parental leave.

Absenteeism, excluding family events, has decreased and is around 1.66%.

	2019	2018
Number of accidents (scope: France)	0	1
Number of commuting accidents	1	3
Number of fatal accidents	0	0

There was one commuting accident (with no lost-time) and no workplace accidents in 2019.

	2019	2018
Average length of service of employees (years)	7.5	not available

The average length of service of employees worldwide is 7.5 years.

### Combating discrimination and promoting diversity

As set out in its Code of Ethics, Wendel strives to promote diversity within the Company and sees it as a major benefit which contributes to the Group's excellence.

Wendel takes steps to ensure that decisions regarding recruitment, career development (training and job promotions) and compensation are made without discrimination. Only the skills and experience of candidates is taken into account.

### Gender equality

Wendel aims to offer women a welcoming and stimulating working environment. To meet this objective Wendel has introduced a number of initiatives;

In particular, Wendel requires women to be equally represented in the applicant pool during each recruitment process.

In equivalent positions, there is no difference in pay for men and women.

Wendel offers flexible working and benefits for parents in order to promote work-life balance as described above.

Wendel is aware that gender equality requires a collective effort in particular in the area of investment and as such is a signatory to France Invest's *Charte de la parité femme-hommes* (Gender Equality charter), published on March 6, 2020.

As such, women are represented in the total headcount, in management positions, as well as in investment positions and on governance bodies.

	2019			2018		
	France	International	Group	France	International	Group
Women in the total workforce <sup>(1)</sup>	56%	47%	52%	52%	44%	49%
Women in employee manager roles <sup>(1)</sup>	56%	N/A	N/A	54%	N/A	N/A
Female Investors <sup>(2)</sup>	22%	20%	21%	25%	22%	23%
Women in management positions <sup>(3)</sup>	50%	25%	39%	N/A	N/A	N/A
Women on the Investment and Management Committees <sup>(4)</sup>	Investment Committee: 22% Management Committee: 43%			Investment Committee: 15% Management Committee: 29%		
Women on the Supervisory Board			45%			45%
Women as a percentage of new hires <sup>(5)</sup>	50%	100%	69%	43%	67%	N/A

(1) France scope: permanent contract workforce in France without the three management-level male expatriates/International scope: employees with a permanent international employment contract including three management-level male expatriates (employment contract in France suspended).

(2) Women employees within the investment teams, excluding assistants and office managers.

(3) Line manager of at least 1 employee (excluding the Chairman of the Executive Board).

(4) Including the Chairman of the Executive Board.

(5) Excluding internal mobility.

According to the Le Point rankings on the SBF 120 companies where women are the most represented, Wendel ranks joint second with 42.9% of senior management positions held by women. According to the Ethics & Boards rankings, Wendel ranks 13th in terms of the representation of women with a score of 73.79 (out of 100).

The proportion of women on Wendel's Supervisory Board is higher than the average of its peers (according to a study of 28 listed European management companies conducted by HSBC Bank and published on February 1, 2019), and Wendel exceeded the 40% regulatory threshold (Coppé-Zimmerman Act) before the introduction of the regulatory obligation.

Under the French "Freedom to Choose a Career" law (*loi pour la liberté de choisir son avenir professionnel*) enacted on September 5, 2018, Wendel is required to publish the indicator of the Gender Equality Index. Wendel obtained a score of 47/100. All of Wendel's workforce in France falls under the scope of the index.

It is important to highlight that Wendel is committed to a process for implementing the principle of equal pay through a job-based approach which is not covered by the index methodology.

In order to promote the principle of gender equality, Wendel is committed to promoting an equal number of men and women every year.

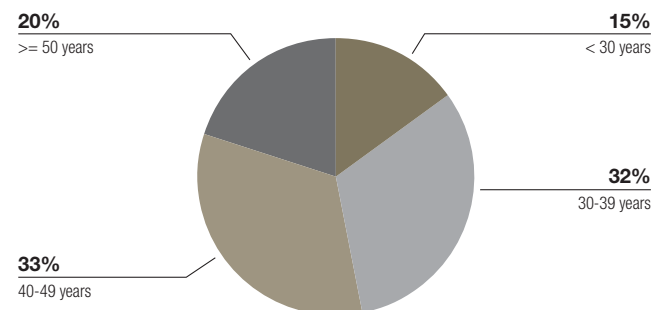
#### Disability

Wendel employs two people with a disability in France and enters into supply contracts with work assistance institutions.

The mandatory contribution paid to AGEFIPH, an organization that promotes the employment of people with disabilities, was ca. €2.9 thousand in 2019.

#### Youth and senior employment

Breakdown of permanent employees by age group:



- New hires under the age of 30: 4 under-30-year-olds hired worldwide.
- New hires over the age of 50: no over-50-year-olds hired.

#### Remuneration

Wendel's compensation policy aims to align the interests of employees with those of shareholders, whether through variable pay, collective performance bonuses (in France) or employee shareholding.

Each year, Wendel carefully reviews the compensation paid to its employees, taking into account their responsibilities, skills, experience and market pay levels. Variable compensation is awarded based on individual and collective performance.

For France, total compensation in cash (base salary, variable pay and individual job-related bonuses) paid in respect of 2019 was approximately €17.2 million. This figure is higher than in 2018.

Wendel has also had a collective performance bonus in place since 2006. The performance criteria established in 2018 were met for the 2019 fiscal year. As such a performance bonus will be paid in 2020 in respect of 2019.

Lastly, Wendel offers very comprehensive death & disability insurance to its employees and their families, financed largely by the Company.

In France, Wendel decided to award a one-off, tax-free "purchasing power bonus" to employees who qualify under the law. The terms and conditions of the bonus were made formal on January 30, 2019 via a legal mechanism known as a *Décision unilatérale de l'employeur* (DUE). The bonus was paid to the ten employees concerned in February 2019.

#### Promoting employee shareholding

Wendel believes that employee share ownership is essential for establishing a long-term partnership with employees and has always encouraged it, whether through the Group Savings Plan that has been in place for more than 30 years or grants of performance shares and/or stock options, which most employees have received since 2007:

- 100% of employees eligible for the Group savings plan (PEG) subscribed to it at the time of the capital increase;
- 94% of employees present in the workforce at 12/31/2019 were allocated stock options and/or preference shares.

#### Grant of stock options and performance shares

In addition to the two Executive Board members, 88 employees in France and abroad received stock options and/or performance shares by virtue of the authorization granted at the Shareholders' Meeting of May 16, 2019 and the Executive Board's decision on July 8, 2019.

Attached to these grants are a service condition and a performance condition.

A history of stock-option and performance share plans is provided in Tables 8 and 9 of section 2.1.7.

The following table indicates, for the period from January 1 to December 31, 2019:

- the total number of options granted to the ten employees (excluding Executive Board members), who individually were granted the largest numbers of options;

- the total number of options exercised by the ten employees (excluding Executive Board members), who individually exercised the largest numbers of options.

	Total number of options	Strike price weighted average
Options granted during the year to the ten Group employees who were granted the largest number of options	66,500	€119.72
Options exercised during the year by the ten employees who exercised the most options	32,397	€66.00 <sup>(1)</sup>

(1) In 2019, these options were exercised at a price of €22.58 (W 2-1 plan), €80.91 (W 4 plan), €54.93 (W 5 plan), €82.90 (W 6 plan), €112.39 (W 8 plan) and €94.38 (W 9 plan).

Employees were awarded performance shares through two different plans. The total number of performance shares awarded during the year to the ten Group employees (excluding Executive Board members), who received the largest number of such shares, was 48,800.

#### Capital increases through the Group savings plan

For more than 30 years, Wendel has invited employees to subscribe each year to a capital increase through the Group savings plan. In 2019, shares were offered at a 30% discount and employee payments can be matched up to legal limits.

As at December 31, 2019, excluding Executive Board members, former and current employees held 0.65% of the capital of Wendel via the Group Savings Plan.

In June 2019, the Executive Board decided to carry out a capital increase. All eligible employees subscribed and were allocated a total of 21,055 shares.

#### Offering additional pension benefits

##### "Perco" pension plan

In 2010, a Company pension plan "Perco" was introduced for employees in France. The Company matches certain contributions up to the legal limit.

On December 31, 2019, 40.67% of the employees present had already invested in Perco, compared with 34.5% at the same date of the previous year.

##### Supplementary pension plan

In 1947, the Company "Les Petits-Fils de François de Wendel" (now Wendel SE) set up a supplementary pension plan for all employees, regardless of their category, provided they retire while employed by the Company. This plan was closed on December 31, 1998. The supplementary pension plan guarantees each employee beneficiary an overall level of retirement income. This income is expressed as a percentage of end-of-career compensation (fixed + variable excl. extraordinary amounts). It increases in relation to the employee's age and length of service up to a maximum of 65% of this compensation. The pension plan provides for a payout of 60% to a surviving spouse on the date of

the employee's retirement, and includes supplements for dependent children.

Benefits financed by the Group under this supplementary plan are calculated by deducting the total amount of pensions financed by Wendel while the employee served in the Group from the guaranteed amount. Since 2005, the Company has transferred the assets necessary to service pension benefits to an insurance company, which makes payments to the beneficiaries.

As at December 31, 2019, there were 36 retirees and six employees of the Company who benefited from the plan.

#### Promotion and respect of the ILO fundamental conventions and Human Rights

Wendel manages its human resources in accordance with the International Labor Organization's (ILO) fundamental conventions.

France has ratified the eight fundamental ILO conventions on forced labor, the freedom of association and protection of the right to organize, the right to organize and collective bargaining, equal pay, the abolition of forced labor, discrimination, the minimum age for admission to employment and all forms of child labor.

Wendel does not operate in a business segment with a high risk of violation of workers' rights, and therefore is not facing the issue of respecting these conventions.

#### Covid-19 measures

##### Information provided voluntarily beyond the scope of EFPD reporting

This Universal Registration Document relates to Wendel's 2019 fiscal year. However, due to the exceptional context, Wendel wished to provide an update on the potential impact of the Covid-19 pandemic on the business of Wendel SE and its portfolio companies on the basis of information that could be analyzed at the time of publication of the Universal Registration Document (finalized in remote working conditions) and in a rapidly changing situation.

Faced with the spread of the Covid-19 pandemic, the Wendel Group is strictly following the governmental guidelines in the countries in which it works. The health of employees and their families is the top priority. The Executive Board took the decision to close all of the Group's offices on March 16, 2020. All steps have been taken to enable employees to work remotely in optimal conditions (equipment, IT hotline etc.) in order to maintain operations while promoting well-being for all.

A Covid-19 unit has been set up to answer employees' questions and provide teams with information on specific measures such as telemedicine consultations, psychological support, childcare in the event of illness, etc. The purpose of this unit is also to promote interaction between employees and anticipate any specific support that may be given to teams.

The Wendel Executive Board holds a daily briefing with deputy CEOs, the General Secretariat, the Human Resources Department and the Sustainable Development and Communication Department, with other departments attending as needed. All managers have been asked to adapt their management practices to combat the effects of isolation and maintain a positive working environment, including through daily meetings by video conference.

The deployment of the training plan has been ramped up with the introduction of an online training service for all employees. Internal workshops and events are regularly offered to promote employee well-being.

Wendel's investment team is working with portfolio companies to monitor their respective situations and, whenever possible, to support them through this unprecedented crisis. Chapter 2 gives an update on the impact of the Covid-19 crisis on all subsidiaries and associates. Chapter 10 also includes additional information on the impact of the pandemic.

Corporate teams are deeply involved to ensure Wendel's operational continuity.

Wendel hopes that everyone will get through this unprecedented situation in the best conditions and is committed to taking all necessary action to ensure a return to normal conditions.

#### 4.2.4.3 Independence of governance bodies and control mechanisms

NFS

##### Risk description

Wendel is managed by an Executive and Supervisory Board and has a main shareholder, Wendel-Participations SE, which held, as at 12/31/2019, 38.73% of Wendel's capital and 51.01% of the theoretical voting rights. Wendel's Supervisory Board comprises 6 non-independent members associated with the Wendel family, 5 independent members and an employee representative.

##### Policies and results

The division of powers between the Executive and Supervisory Boards is described in section 2.1.5 of the Universal Registration Document. Section 2.1.2 describes the composition of the Supervisory Board and its operating procedures, including the assessment of the independence of its members. The Corporate governance statement is included section 2.1.3.

##### Internal control

##### Risk description

Wendel must ensure the effectiveness of the internal control of its own organization and that of its consolidated subsidiaries, in order to control risks relating to their operational activities.

##### Policies and results

For internal control procedures, refer to chapter 2 (see section 2.3 "Risk management and internal control system").

#### 4.2.4.4 Risks related to business ethics

NFS

##### Risk description

In terms of business ethics, Wendel has identified the following as main risks based on EFPD definitions:

- combating corruption;
- preventing market abuse.

Nevertheless, other risks arising from business ethics are taken into account by Wendel and referred to in section "4.2.5. Compliance program".

## Anti-Bribery and Anti-Corruption

### Risk description

The risk mapping produced for Wendel (namely Wendel SE, its holding companies and foreign offices) showed that the risk of corruption could arise from some of its activities, particularly its investment arm. For example, this risk could arise in the case of a transaction to influence the outcome of a competitive process to acquire or dispose of a company to obtain specific authorizations or confidential information.

Corruption distorts competition and normal market conditions. Should it occur, it would be highly damaging to Wendel's reputation and those responsible or who allow it to occur. It would expose Wendel to particularly damaging financial consequences as well as administrative and criminal sanctions. It could disrupt the Wendel Group's operations and destabilize its activities.

### Policies and results

#### At the Wendel level

The Executive Board has identified the prevention and detection of acts of corruption as a priority for the Wendel Group and is committed to a policy of zero tolerance towards any risk of corruption. Any use of corrupt practices in the Wendel Group's operations, as well as in its relations with partners or third parties, whether public or private, is strictly prohibited.

To prevent this risk, the Executive Board has implemented a robust program to combat corruption and influence-peddling. Moreover, in 2019, Wendel hired a Head of Compliance who joined the Company in May and a number of initiatives were put in place to enhance the measures introduced under the Sapin 2 law as set out below.

Wendel's corruption prevention policy, initially drawn up in February 2016 and updated in May 2017 as a result of the *Sapin 2* law, was completely overhauled and circulated in April 2019 in order to comply with the recommendations of the French Anti-Corruption Agency and to tailor it to the specific risks associated with Wendel's activities, as identified through the risk-mapping process. Moreover, this policy has been incorporated in the "Employees Handbook" and failure of Wendel employees to comply with its obligations may result in disciplinary sanctions up to and including dismissal for misconduct.

An Anti-Corruption Compliance charter aimed at defining the role and responsibilities of Wendel's compliance function was formalized and circulated to Wendel employees in May 2019. This Charter is also accessible to all on Wendel's intranet.

A monitoring and auditing plan specific to *Sapin 2* has been devised and put in place; moreover, a tool dedicated to compliance and internal control - Wendel Protect - is currently being rolled out to streamline and optimize the compliance processes and improve monitoring.

Moreover, processes specific to gifts and Entertainments and conflicts of Interest have been defined and are described in the anti-corruption policy. In practice, this takes the form of the implementation of a system for declaring and approving gifts/Entertainments and conflicts of interest through the use of IT tools (particularly Wendel Protect) so as to improve traceability.

As for the whistle-blowing system, the relevant policy was circulated to all employees in April 2019 in order to ensure that everyone is aware of it and understands how to use it and submit a report in the system. This policy is also available on Wendel's website under "ESG", at [www.wendelgroup.com](http://www.wendelgroup.com). In 2019, no reports were received through the whistle-blowing system.

Moreover, Wendel conducts an annual review of corruption risk-mapping which was updated at the end of 2019. The results and associated action plan were presented to Wendel's Executive Board and Audit Committee in early 2020.

A classroom-based training course on this subject was organized in September 2019 for the employees who are most likely to be exposed to corruption risk. In addition to this training, any new arrival must take a compulsory online anti-corruption training course.

In early 2019, Wendel also rolled out a third-party assessment process which includes various levels of due diligence towards its counterparties according to their exposure to risk and enhanced accounting controls were put in place in certain categories (particularly gifts and donations).

In terms of its investment arm, Wendel has introduced enhanced anti-corruption checks prior to any transaction.

Finally, all of these measures were assessed by Wendel's Internal Audit in March 2019 and the results were shared with Wendel's Audit Committee. This assessment process will be repeated in 2020.

#### Controlled companies in the portfolio

Wendel also ensures the implementation of the measures prescribed by the *Sapin 2* law within the controlled companies in its portfolio. Wendel requires the *Sapin 2* program to be regularly on the agenda of the Audit Committees of companies within the portfolio and holds regular meetings on this topic with the Compliance Heads of portfolio companies in order to offer them guidance and discuss specific points.

At the end of 2018, with the help of an external consultant, a preliminary evaluation of the implementation of the regulatory requirements was conducted. The external consultant reviewed the eight measures prescribed by the *Sapin 2* law in each of the portfolio companies. Moreover, at Wendel's request, at the end of 2019 companies also carried out a self-assessment of the main outcomes from changes to their *Sapin 2* measures compared with the previous year.

Moreover, each year the companies sign a Statement of Compliance in respect of the obligations regarding corruption under the *Sapin 2* law.

### Preventing market abuse

#### Risk description

Given its activity as an investor and its status as a listed company, Wendel may possess inside information. It should be noted that inside information is classed as such if it is information of a precise nature, which has not been made public, relating directly or indirectly to the companies within the Wendel Group or their securities and which could have a significant impact on the price of the securities in question (see Article 7 of Regulation (EU) 596/2014 of the European Parliament and the Council of April 16, 2014 on market abuse – MAR). Under this framework, Wendel has a duty to prevent any market abuse.

#### Policies and results

Wendel strives to communicate information that is accurate, precise and fairly presented to investors, shareholders and analysts; it also upholds the principle of equal information.

A Market Confidentiality and Ethics Code sets out rules for all Wendel employees and corporate officers to prevent market abuse. The main rules introduced by this Charter are presented in section 2.1.7 of this Universal Registration Document. The charter is regularly reviewed and updated. The main provisions applying to Supervisory Board members have been incorporated into the Supervisory Board's rules of procedure.

Wendel is in compliance with European Regulation 596/2014 of the European Parliament and of the Council of April 16, 2014 on market abuse ("MAR") and opens insider lists whenever necessary and has established blackout periods during which it is prohibited to trade in Wendel shares in order to prevent any breach. A Compliance Committee – made up of the Executive Board, the Ethics Officer and the Chief Financial Officer – oversees compliance with market regulations at Wendel.

Moreover, a procedure for classifying inside information has been put in place

## 4.2.5 Compliance program

Wendel pays particular attention to the implementation of its compliance program in a constantly changing regulatory environment. Wendel intends to act ethically in all its activities. To this end, compliance processes have been defined to ensure that all managers and employees comply not only with legislative and regulatory standards, but also with the Group's values and commitments in terms of integrity and business ethics.

The implementation of a strict compliance program is also likely to boost Wendel's reputation, thus benefiting all its stakeholders while respecting its long-term commitments.

As regards applicable regulations, the most important regulatory issues with regard to Wendel's business segment and within the meaning of the EFPD are the prevention of acts of corruption and the fight against influence peddling, as well as the prevention of market abuse (see section "4.2.4.4 Risks related to business ethics").

To promote an overall understanding of the compliance mechanisms, below is a description of the compliance program adopted by Wendel at the initiative of the Executive Board, excluding the topics that have already been presented in section "4.2.4.4 Risks related to business ethics" (i.e. the fight against corruption and the prevention of market abuse):

- a Code of Ethics;
- a policy to prevent corruption and influence peddling (see section "4.2.4.4");
- a Market Confidentiality and Ethics charter;
- a policy to comply with international sanctions programs;
- an anti-money laundering policy;
- a whistle-blowing system and;
- a control Framework for personal data protection (GDPR).

### Code of Ethics

The Code of Ethics, embodies the values of the Company's employees and constitutes the reference framework within which Wendel's long-term investment business is conducted. It applies to all employees and executives of the Company, its holding companies and at all locations. Wendel requests that the companies in which it invests adopt similar standards. Wendel's Code of Ethics can be viewed under the heading "ESG" on its website: [www.wendelgroup.com](http://www.wendelgroup.com). This Code is currently being revised and will be updated in 2020.

### Protection of confidential information

In the context of its activity as a long-term investor, Wendel handles a large amount of confidential information concerning portfolio companies or potential targets. Confidential information is defined as any non-public information covered by trade secrecy, the disclosure and/or use of which is likely to harm Wendel.

A Market Confidentiality and Ethics Code establish rules for all Wendel employees and corporate officers to prevent market abuse. The main obligations contained in this Code are described in section 2.1.7 of this Universal Registration Document.

### Compliance with economic sanctions

In February 2017, Wendel established its policy concerning international sanctions. Wendel ensures that neither its holding companies nor its foreign offices engage in business activity prohibited by the regulations on sanctions and embargoes or enter into contact with natural or legal persons on sanctions lists; background checks are carried out whenever necessary.

### Anti-money laundering

Wendel established its anti-money laundering policy, applicable to Wendel SE, its holding companies and its foreign offices in October 2017.

In addition, within the framework of the AIFM regulations to which the Luxembourg fund manager (Winvest Conseil S.A.) and its subsidiaries are subject, a specific policy has been put in place.

To ensure compliance with its anti-money laundering and countering financing of terrorism (AML-CFT) policy, all employees of Winvest Conseil S.A. and its subsidiaries undergo an annual course on the subject. The course is overseen by the AIFM's Head of Compliance.

The AIFM's Management Board regularly conducts a compliance assessment which also covers AML/CFT.

Winvest Conseil S.A. determines the extent of the reasonable due diligence to be carried out depending on the risk level allocated to each investor or investment.

### Tax policy

The primary objective of Wendel's tax policy is to ensure legal certainty and sustainability in the long term. Wendel considers that aggressive and artificial planning create long-term financial and reputational risks that are contrary to its interests and values. Wendel is committed not to use structures domiciled in countries considered to be tax havens<sup>(1)</sup> in order to reduce the amount of taxes due.

(1) As listed in the French ministerial decision of January 7, 2020 on non cooperative States and territories

Wendel also ensures that its activities comply with applicable tax laws and regulations. In particular, Wendel ensures that its operations do not lead to situations that could be qualified as tax evasion<sup>(1)</sup> and that intragroup transactions comply with the arm's-length principle of OECD transfer pricing guidelines.

Wendel ensures compliance with tax filing and payment obligations in the jurisdictions in which it operates.

Wendel is committed to exchange information with the tax authorities in a cooperative and transparent manner, in particular during tax audits.

Wendel participates, mainly through professional organizations, in consultations initiated by legislators or national and international governmental organizations aimed at improving tax certainty and encouraging sustainable growth.

Each year, Wendel SE files a Country by Country reporting with the French tax authorities on behalf of Wendel-Participations. This report is then shared via an automatic exchange mechanism with the tax authorities of all foreign countries in which the Company or its subsidiaries operate.

The management of uncertain tax positions is fully integrated in the Group's global risk management process. As part of this process, the Tax director regularly reports to the Audit Committee and the Management Committee on the Group's global tax position, any risks or tax disputes and the main changes anticipated.

### Whistle-blowing procedure

A whistle-blowing system was set up in June 2017 and updated in the first quarter of 2019. Beyond corruption, this whistle-blowing system covers the following areas: financial and accounting, stock market ethics, anti-competitive practices, health, hygiene and safety at work, the fight against discrimination and harassment at work, environmental protection, human rights and fundamental freedoms.

A whistle-blowing service is also available for third parties working with Wendel. The terms and conditions of access are defined in the alert procedure available on Wendel's website, in the "ESG" section, at [www.wendelgroup.com](http://www.wendelgroup.com).

### Personal data protection

Wendel takes privacy and the protection of personal data very seriously. For this reason, Wendel undertakes to implement adequate measures to ensure the protection, confidentiality and security of personal data and to process and use such data in compliance with applicable provisions and in particular with European Regulation 2016/679 of April 27, 2016 (hereinafter the "General Data Protection Regulation" or "GDPR") and any applicable local laws on the subject. A Personal Data Protection Policy is available on the Wendel website. The purpose of this Policy is to present the measures taken with respect to all processing of personal data carried out by Wendel with respect to the various categories of persons whose data are collected and processed by Wendel (e.g., website visitors, suppliers, service providers, shareholders, co-investors, managers of companies in which Wendel is considering acquiring a stake).

In April 2019, Wendel also defined a GDPR charter describing a certain number of obligations and procedures applying to the Executive Board as well as to all Wendel employees who, in the course of their activities, are involved in the processing of personal data.

### Distribution to employees

The policies of the Compliance program have been disseminated among all Wendel employees, its holding companies, and its international offices.

Wendel employees must periodically sign all documents related to compliance within the Company.

(1) Within the meaning of article 20 of the French law of October 23, 2018 against tax evasion.

## 4.2.6 Assessment of Wendel's carbon footprint (excluding subsidiaries)

As part of its ESG strategy, to set an example, Wendel has assessed for the first time the carbon footprint of its offices and operations (excluding subsidiaries) for the year 2019. A plan to reduce CO<sub>2</sub>-eq emissions with offsetting measures will be implemented following this review.

Wendel's carbon footprint resides primarily in the activities of its subsidiaries, and this aspect is an integral part of the ESG monitoring of the portfolio companies. Wendel recognizes the urgent need for action to combat global warming, which is everyone's responsibility.

Calculated emissions cover Wendel's offices in France and abroad (Paris, Luxembourg, London, Casablanca, New York, Singapore) over a 12-month period (calendar, rolling or estimated). The emission factors come from the Ademe Carbon Base.

The calculation methodology and reporting format follows the GHG Protocol.

Emissions categories	2019 value (in t CO <sub>2</sub> -eq )
Scope 1+2	192
Scope 3	3,039

Scope 1+2 includes emissions related to energy consumption, refrigerant leaks and fuel consumption. The coverage rate for scope 1+2 is 77% to 86% for energy consumption (the most significant item in scope 1+2), 67% for refrigerant leaks and 44% for fuel consumption.

Scope 3 includes emissions related to the purchase of products and services, business travel, visitor travel, employee commuting and waste generation. The main scope 3 emission items (business travel by plane and train, visitor travel, home-to-work travel, purchase of services) have a 100% coverage rate. The other scope 3 emissions items have a coverage rate of between 56% and 100%.

This exercise made it possible to identify the most important emission items and to implement reduction actions. The two most significant emission items are business travel and purchases of services.

Some actions with an impact on carbon emissions have already been implemented in 2019:

- the remote work tools implemented in 2018 make it possible to limit the number of trips between offices (France and International);
- the train is favored for Paris-London journeys, compared to air travel, which reduces the carbon impact of these journeys. It was decided to promote videoconferencing whenever possible;
- from July 2019, plastic bottles were replaced by glass bottles in the Paris office meeting rooms and water fountains, and reusable water bottles were distributed to employees to limit plastic waste;
- a survey of visitor travel was conducted over 2 months at the Paris headquarters to raise awareness of the issue and assess their carbon impact.

In 2020, Wendel aims to increase the share of energy from renewable sources (100% renewable electricity contract in Paris since April 2020).

## 4.2.7 Commitments in civil society

Over the course of its history, Wendel has distinguished itself by a strong commitment to civil society. Today, this commitment is reflected in its sponsorship policy.

### Long-term commitments

Wendel has supported Insead since 1996. In that year, the prestigious business school created a chair and then a center for family-owned businesses and Wendel has been a partner in this initiative from the start.

Wendel has been committed to the Centre Pompidou-Metz since its creation in 2010, because it wanted to support this emblematic institution that makes art available to the general public. In 2016, Wendel renewed its support of Centre Pompidou-Metz for five more years.

Wendel works actively with partner institutions to further their development projects. The Group is represented on the Centre Pompidou-Metz Board of Directors by Nicolas ver Hulst, Chairman of Wendel's Supervisory Board.

In recognition of its long-standing commitment to the arts, Wendel was awarded the title of Grand Mécène de la Culture ("Grand patron of the arts") by the French Minister of Culture on March 23, 2012.

### Commitments in 2019

In 2018, Wendel completed its sponsorship program with the creation of a Philanthropy Committee to support solidarity projects. Wendel employees had the opportunity to present projects that were analyzed and appraised by the Philanthropy Committee. Since then, Wendel has supported several associations, including La maison des enfants d'Awa, Les Restaurants du Cœur, Casamasanté, iMentor, Cycle for Survival, Clubhouse France, the Fondation de la Maison de la Gendarmerie, and the PlanVue program of Helen Keller International, which Wendel has supported since 2017.

In addition, in 2019, the Wendel Running Team took part in several races, including *La Parisienne* and *Run my City*.

Also, Wendel has contributed alongside Afep members to the effort to rebuild *Notre Dame de Paris*.

In total during 2019, Wendel's philanthropic expenditure amounted to €620,000.

### Stakeholder relations

In the course of its business, Wendel interacts regularly with its principal stakeholders:

- Wendel regularly communicates with its principal shareholder, Wendel-Participations, and makes presentations to its governing bodies;
- Wendel maintains an ongoing dialogue with its individual shareholders:

Wendel's Shareholders Advisory Committee was created in 2009, and it met three times in 2019. Composed of nine members, the committee's role is to obtain feedback from individual shareholders on the media used to communicate with them: letters to shareholders, the website, social media, and the management report. This year the CCAW (Wendel's Shareholders Advisory Committee) was also asked about Wendel's new approach to ESG;

- Wendel keeps the financial community (analysts, institutional investors and individual shareholders) regularly informed of its earnings, business activities and strategy. In 2019, Wendel met with nearly 260 equity and bond investors during roadshows (in France, the United Kingdom, the United States, Canada, Germany, Luxembourg and Switzerland) and meetings at its headquarters.

### Lobbying activities

Wendel does not use any lobbying agencies.

### Trade associations

- As a listed company, Wendel contributes to marketplace discussion by participating in the work of all the major professional and financial market organizations of which it is a member: Afep, Ansa, Medef, France Invest, Paris Europlace, etc. In 2019, the amount of professional contributions amounted to ~€110,000.

### Think tank

- Wendel is a partner of: Institut Montaigne, World Economic forum.

## 4.3 Wendel's subsidiaries reviewed by an independent third-party body

### 4.3.1 Bureau Veritas

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Bureau Veritas, as a listed company, is subject to regulations governing the extra-financial performance declaration and the duty of care that are published in its own Universal Registration Document (URD). A summary of the CSR commitment of Bureau Veritas is published below.

As a Business to Business to Society service company, the role of the group is to establish a relationship of trust between companies, public authorities and consumers.

#### Promoting trust

Bureau Veritas' mission is to reduce its clients' risks, improve their performance and help them innovate to meet the challenges of quality, health and safety, environmental protection and social responsibility.

Since its foundation in 1828, the Bureau Veritas brand has been synonymous with integrity, and represents an invaluable asset in an industry based on trust. Today, the group continues to work to improve trust between businesses, consumers and public authorities.

#### A "Business to Business to Society" services company

The group is capitalizing on its extensive experience to better serve society's aspirations.

Driven by society, Bureau Veritas acknowledges the challenges of growing urbanization, anticipating the need for safer, smarter cities. The group anticipates the expectations of an expanding global population, including the need for safe and reliable agricultural production. Bureau Veritas understands the impact of climate change, working to ensure people worldwide have access to cleaner energy while supporting its clients in the efficient

management or conversion of their existing assets. The group embraces digitalization while mitigating the risks it brings.

#### Bureau Veritas is entering a new era

Driven by society, the group is working ever more closely with its clients, addressing today's crucial challenges and answering society's aspirations.

Since its inception, Bureau Veritas has always supported its clients in mitigating risks through its expertise in quality, health and safety, and environmental fields, as well as in data protection and technological progress.

As an independent party, Bureau Veritas helps to build trust between governments, companies and citizens, who represent the important stakeholders of the society.

Complex and interlinked forces are transforming economies, shaped by growing urbanization, booming demographics, the shift towards greener energy, a digital transformation through artificial intelligence, data fusion and machine learning, to name but a few.

The group sees that this shift in the playing field is profoundly reshaping the face of Bureau Veritas and the way it addresses its clients' needs and helps them meet their challenges. Bureau Veritas is entering a new phase of its development, with the ultimate goal of meeting society's deepest aspirations while addressing its clients' existing and future challenges. Leveraging their expertise and experience, Bureau Veritas employees around the world represent the group's most important asset ingenerating value for its clients.

The group's employees are proud to see how each day, their work has a positive impact on the lives of millions of people around the world. Bureau Veritas' success belongs to them.

## Bureau Veritas' social and environmental commitments

Bureau Veritas' commitment to Corporate Social Responsibility (CSR) issues reflects its wish to play its part in efforts that each company and citizen should make to address society's social and environmental challenges. Besides its compliance with CSR regulations, Bureau Veritas also seeks to meet the needs of its clients, end consumers and all its stakeholders.

Owing to the nature of its services, Bureau Veritas has a direct and indirect impact on CSR issues:

### Bureau Veritas' social and environmental commitments

Corporate social responsibility (CSR) is a strong commitment of Bureau Veritas. It complements our absolutes and our fundamental values.

CSR is embedded in our purpose and corresponds to our will to act in a responsible and sustainable way.

Our mission and the nature of our services allow us to serve the society by reinforcing safety, improving quality and protecting the environment.

As a leader of our market sector we want to be exemplary. In 2019, five key actions were initiated to accelerate our CSR program. We have:

- updated our fundamental values, making CSR a key priority. It is in our DNA and we want to unite all our employees around it;
- ramped up our efforts to be a more inclusive company and one that promotes equal opportunities, publishing an inclusion policy that applies across all of our organizations;
- maintained our efforts to continue to improve the safety of our staff. We have strengthened the leadership of our managers and the responsibility of each employee;
- launched a project for the biodiversity protection;

- directly, in each of its businesses, entities, subsidiaries and regions;
- indirectly, Bureau Veritas offers a broad range of services aimed at improving the impact its clients have in terms of health and safety, security, environment and sustainable development.

The group firmly believes that its actions in this respect are helping to prepare for the future in the best interests of its shareholders.

This view is echoed in the commitment to social and environmental issues expressed by the Chairman of Bureau Veritas' Board of Directors and the Group's Chief Executive Officer, as set out below.

- intensified our actions for inclusion and gender diversity;
- maintained our environmental efforts by signing the Climate Pledge alongside over 100 major French companies;
- focused our attention on our suppliers to ensure that they are aligned with our values in terms of ethics, safety, the environment and human rights;
- expanded our service provision to better support our customers in their CSR approach.

Bureau Veritas remains mobilized with each of its employees to continue the improvement of its social and environmental impacts, notably through environmental protection, biodiversity conservation, defense of Human Rights, respect of ethics, improvement of health and safety.

We want Bureau Veritas to remain an exemplary company, responsible and committed towards the Society.

At Bureau Veritas, Corporate Social Responsibility is an integral part of our values. Together, employees, clients and suppliers, let's be committed to our future.

**Aldo Cardoso: Chairman of the Board of Directors**

**Didier Michaud-Daniel: CEO**

All of Bureau Veritas' ESG commitments (Environment, Social, Governance) are available in the CSR section of the Bureau Veritas website. To view them, click on the following link: <https://group.bureauveritas.com/group/corporate-social-responsibility/statements-policies>.

## OUR VALUE

## MEGATRENDS

## Our approach to social and environmental challenges

**GROWTH IN THE GLOBAL ECONOMY AND INTERNATIONAL TRADE, DEMOGRAPHIC GROWTH AND EMERGENCE OF MIDDLE CLASSES:**

- Growing demand for safety, security, quality, and standards
- Increasing investment in infrastructure

**USE OF MORE COMPLEX TECHNOLOGIES (IOT, AI, ETC.) AND SHORTER PRODUCT LIFE CYCLES:**

- Increase in and subcontracting of testing
- Greater oversight of the supply chain and the number of subcontractors to be managed

**PROTECTION OF GLOBAL BRANDS INCREASINGLY DIFFICULT:**

- Importance of being recognized as a responsible corporate citizen going beyond regulatory requirements
- Proactive worldwide management of CSR and QHSE issues

**SPECIALIST PLAYERS MANDATED BY PUBLIC AUTHORITIES TO CONDUCT INSPECTIONS:**

- Greater responsiveness to adapt to market imperatives
- Significant reduction in public spending

## OUR RESOURCES

**ECONOMIC CAPITAL**

- A long-standing majority shareholder and a widely-held free float
- A robust, balanced financial model underpinned by a long-term vision
- **€1,322 million** in equity

**HUMAN CAPITAL**

- **Over 78,000** employees
- Qualified, highly-trained personnel in a supportive environment
- An inclusive culture: **20%** of executive-level managers are women; more than **66%** of employees are Generation Y
- An entrepreneurial culture
- A global network of subcontractors

**INDUSTRIAL CAPITAL**

- A network spanning almost **140 countries**
- **More than 1,500** offices and laboratories

**INTELLECTUAL CAPITAL**

- A strong brand with a **190-year** track record
- **3,500** accreditations, approvals and authorizations
- Numerous alliances and partnerships with leading players
- Group-wide digital transformation

**SOCIETAL AND ENVIRONMENTAL CAPITAL**

- Structured growth based on sustainable practices
- An idea of shared value creation at the heart of the growth strategy
- "Lean" management to develop a culture of ongoing performance improvement and a reduced carbon footprint
- Specific services to help businesses improve their CSR commitments

## OUR PURPOSE

- Since it was founded in 1828, the Bureau Veritas brand has been synonymous with integrity, and represents an invaluable asset in a trust-based industry.

**Our VISION**

- A "Business to Business to Society" service company which aims to build a relationship of trust between businesses, public authorities and clients.

## OUR SERVICES

**Verification of conformity with regulations or self-imposed standards**  
(assets, products, systems)

Certification

Reference frameworks: international standards (e.g., ISO), regulations, self-imposed standards prepared with clients.

**Technical assistance and regulatory support services**  
(assets, products, systems)

Performance improvement

(1) Cumulative annualized revenue.

(2) Proposed dividend, subject to Shareholders' Meeting approval.

# THE CREATION MODEL

## Our MISSION

- To reduce our clients' risks, improve their performance and help them innovate to meet the challenges of quality, health, safety, environmental protection and social responsibility.



## OUR ACHIEVEMENTS AND RESULTS



### ECONOMIC CAPITAL

- **4.3%** organic growth
- **€46 million** in acquisitions<sup>(1)</sup>
- **€0.56** dividend per share<sup>(2)</sup>



### HUMAN CAPITAL

- Bureau Veritas ranked as a diversity leader by the *Financial Times*
- **19 training hours** given per employee
- **14,954** hires under permanent (or similar) contracts
- Total accident rate down **51%** since 2014
- **100%** of employees trained in ethical issues under the Compliance Program



### INDUSTRIAL CAPITAL

- New sites opened, especially laboratories in the Asia Pacific region and the Americas



### INTELLECTUAL CAPITAL

- Significant capacity for innovation with the launch of new services and global solutions
- Global deployment of digital solutions (3D, IoT, robotics, IA, e-commerce)
- Worldwide partnerships with leading technology players



### SOCIETAL AND ENVIRONMENTAL CAPITAL

- Contributing to a safer, more trusting world
- **76%** of activities ISO 14001 certified
- Signatory of Act4Nature commitments to protecting biodiversity
- Ecovadis "Gold" rating for environmental practices
- **DJSI score of 75/100**, compared with the industry average of 38/100
- **"B"** rating from the CDP, above the industry average (B-)
- **€434 million** in payroll charges
- Consolidated adjusted effective tax rate of **33.1%**

## VALUE CREATED FOR OUR CLIENTS

- **Improving risk management**
  - Managing QHSE risks
  - Managing reputation risks
- **Facilitating trade**
  - Compliance with national and international standards and regulations
  - Verification of quantity and quality of goods traded
- **Enhancing performance**
  - Operating, business, social and environmental performance
  - Improving product and service quality
  - Verifying implementation of commitments (sustainability, emissions reduction, etc.)

## SHARING THE VALUE CREATED WITH OUR STAKEHOLDERS

**€5.1 bn**  
in 2019  
revenue

**€1.4 bn**  
due to suppliers (purchases of goods and services) and subcontractors (engagements)

**€2.1 bn**  
in wages, salaries and bonuses due to employees

**€257 m**  
in taxes

**€262 m**  
due to shareholders (dividends)

Acquisition-related expenses

**€99 m**  
in acquisitions to drive our organic growth going forward

## 4.3.2 Constantia Flexibles

### 4.3.2.1 Business model

Founded by Herbert Turnauer in the 1960s, the Constantia Flexibles group headquartered in Vienna produces flexible packaging, primarily for the agri-food and pharmaceutical industries in two divisions: Consumer and Pharma. The Wendel Group is majority shareholder of Constantia Flexibles, with a ~61% equity holding. Other shareholders are the Arepo Foundation, with a ~27% holding, and Maxburg Capital Partners, with ~11%.

Constantia Flexibles is the world's third largest producer of flexible packaging, with sales of roughly €1.5 billion in 2019, where the group generated 64% of the total turnover in Europe, 17% in America, 12% in the Middle East, Africa, Australia and 7% in Asia. Based on the guiding principle of "People, Passion, Packaging", some 8,350 employees located in 22 countries - including Headquarters and other offices - manufacture tailor-made packaging solutions at 36 productions sites in 16 countries. Moreover, Constantia Flexibles has successfully developed its activity outside Europe and, over the last years, has become a global leader in flexible packaging. Constantia Flexibles' sustainable and innovative products with their focus on preservation, promotion and protection attract and convince global players and local market leaders of the food- and pharma-industries the same way.

The product variety manufactured at Constantia Flexibles' operating locations is based on aluminum- and plastic-foils, for which patents are registered. For die-cut lids for dairy products, flexible packaging of confectionery products and deep-drawn aluminum-containers for food and pet food this company holds the global position as market-leader. Moreover, Constantia Flexibles is also a global leader for blister- and coldform-foils supplied to the pharma-industry.

Constantia Flexibles fulfils its vision set as:

**"We envision a world in which packaging provides people with the highest benefit at the lowest impact on the environment."**

Integrating Corporate Social Responsibility (CSR) commitments in respect for the environment into its business activities, Constantia Flexibles pays particular attention to continual improvements in the consumption of raw materials, which are essentially aluminum, plastics, paper, and chemicals like inks and solvents. Already in 2018, Constantia Flexibles pledged that 100% of its packaging solutions will be recyclable by 2025 and has set an absolute Greenhouse Gas (GHG) emission reduction target in accordance with climate science. Accordingly Constantia Flexibles uses appropriate procedures to monitor the possible impact of its products on the environment, in particular by performing life cycle assessments.

The opening of a newly built production facility in India, 100% dedicated to produce the sustainable and recyclable product-family "EcoLam", which is based on monopolymer laminates from Polyethylene (PE), bookmarks in particular one of the milestones of Constantia Flexibles' way of business to grow by following the vision and mission and in particular its commitment to produce 100% recyclable products by 2025.

Constantia Flexibles also places in all their operations health and safety of everybody who works with and for Constantia Flexibles to first priority, and takes proactive measures to achieve its vision of "Zero Loss - No Harm". It is understood, that it is a duty to create and maintain a safe and sustainable work environment as well.



## 2019 REVENUE

€1.5 bn

## VISION

We envision a world in which packaging provides people with the highest benefit at the lowest impact on the environment.

## MISSION

We rethink packaging every day to make a positive, sustainable and meaningful contribution to our customers and the environment.

We are driven by passion and our aspiration for know-how and competence to make people's lives healthier, better and safer.

## VALUES

PEOPLE,  
PASSION,  
PACKAGING

## ENVIRONMENTAL PERFORMANCE

## TARGETS:

**100%**  
of packaging recyclable by 2025

Science Based Target: GHG-emissions reduction (scope 1, 2, 3):

**24% by 2030**  
49% by 2050  
(reference year 2015)

## 2019 PERFORMANCE:

**60%**  
of packaging already recyclable

Opening of the first plant in the world designed to produce recyclable flexible packaging only (Ecoflex, Parikh Flexibles in Ahmedabad)

**-8%**  
reduction of GHG-emissions (scope 1, 2, 3)

CDP Score: **A**  
(top 2%)

EcoVadis Score: **Gold Level**



## SHAREHOLDER GOVERNANCE

SHAREHOLDERS : WENDEL (61%), AREPO FOUNDATION (27%), MAXBURG CAPITAL PARTNERS (11%)

## SUPERVISORY BOARD

**8 members**

**25%**  
of independent

**0 women**

## HUMAN CAPITAL

**~8,350**

employees in 22 countries,

- 56% Europe
- 26% Asia
- 10% America
- 8% Middle East, Africa & Australia

## INTELLECTUAL CAPITAL

**68**

active patent families, thereof:



## PROCUREMENT

Main raw material	Aluminium	Plastic	Chemicals (inks & solvents)	Paper
Share in supplies (per volume purchased)	~33%	~32%	~22%	~8%
Supplier country	Europe, China, Russia, Turkey	Europe, Mexico, Turkey, India	Europe, India Mexico, US	Europe India South Africa

Integrated production

Material sourcing, Rolling

Lacquering, Lamination, Extrusion

Printing, Cutting

Finishing, Customer Service

## PRODUCTS

## CONSUMER MARKET

- Confectionery foil
- Die-cut lidding
- Alu-container systems

## PHARMA MARKET

- Blister lidding foils
- Coldform foils

## REVENUE BREAKDOWN

- 7% Asia
- 12% Middle East, Africa, Australia
- 17% America
- 64% Europe

**~75%** in CONSUMER-Division

**~25%** in PHARMA-Division

\* Source of position: Comparison of turnover of flexible packaging compared to other manufacturers' annual statements



## OPERATIONAL GOVERNANCE

## EXECUTIVE BOARD

6 members

17% of women

- 41 issued (split into Foil: 23, Film: 14, Paper: 1 and 3 general patent-families),
- 27 in registration-status (split into Foil: 11, Film: 7, Paper: 5 and 4 general patent-families).

## R &amp; D

2  
research centers  
(Film, Foil)76  
expertsCERTIFICATIONS /  
MANAGEMENT SYSTEMS100% of production sites hold a  
Quality Management certificate  
(e.g. ISO 9001)

9 production plants certified on ISO14001

4 production plants certified on  
OHSAS18001 / ISO45001Additional certificates like **British Retail Standard**  
(BRC) or **ISO 15378** as appropriate

## PRODUCTION



36

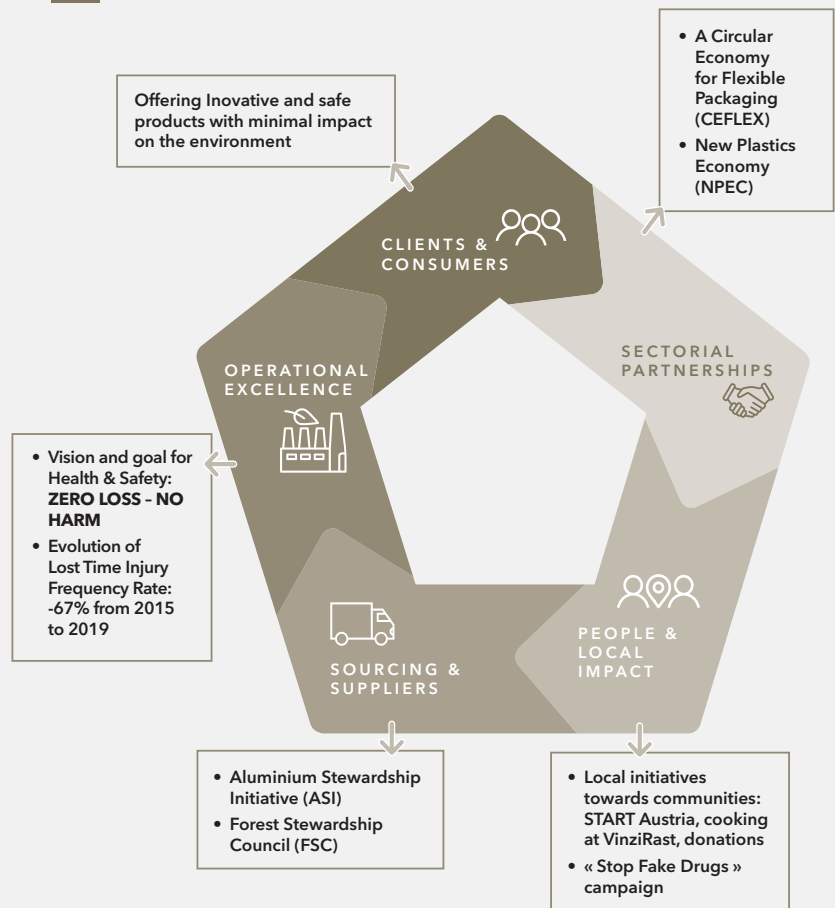
manufacturing sites

IN



16

countries

#3  
GLOBALLY\*#2  
IN EUROPE\*Value creation for  
External Stakeholders

## KEY

Key partners

External resources

Internal resources

#### 4.3.2.2 Highlights 2019

Constantia Flexibles understands the value of initiatives supportive for sustainable improvements of its products and of required manufacturing processes as a great opportunity to accelerate success factors by building up for long-term relationships with key stakeholders while simultaneously achieving milestone by milestone to operational excellence.

Initiatives which go far beyond legal requirements underpin its global commitment to achieve its bold ambition of providing superior solutions of flexible packaging that improve people's daily lives with respect of society and the environment.

Constantia Flexibles would like to highlight the successful implementation of the following topics, related to the respective area in the field of sustainable development, which were implemented beside other meaningful achievements during 2019:

##### ■ Environment:

- Constantia Flexibles revised its environmental policy to a more comprehensive sustainability policy, including an annex, to clearly outline the company's core values and targets and provide information on how the company works towards its commitments,
  - Constantia Flexibles improved its already strong CDP (Carbon Disclosure Project) climate score even further. Constantia Flexibles as a group was rewarded with a very high CDP Climate Score Rating in 2019 (Score A), placing Constantia Flexibles among the top 2% of evaluated companies. In addition, Constantia Flexibles has been identified as a global leader for engaging with suppliers on climate change, and was therefore featured on the Supplier Engagement Leaderboard by CDP,
  - for the third time in a row, Constantia Flexibles as a group has been awarded the EcoVadis gold medal in recognition of its CSR achievement. This result places Constantia Flexibles among the top 2% of companies assessed by EcoVadis in this industry on their respect of the environment, human rights and labor law, ethics and responsible purchasing,
  - rollout of Constantia Flexibles' comprehensive recyclability strategy to work towards the company's pledge of all products being recyclable by 2025,
  - successful audit of Constantia Flexibles' largest plant Constantia Teich, located in Austria, according to the Aluminium Stewardship Initiative's Chain of Custody Standard, including the implementation of a biodiversity assessment of all plants,
  - opening of Ecoflex Ahmedabad, the first plant on the planet designed to produce recyclable flexible packaging only;
- ##### ■ Health & Safety:
- Constantia Flexibles group HSSE Award (Health, Safety, Security & Environment) made the next step on the road to celebrate success of operational excellence with regard to health and safety: The second annual Constantia Flexibles group HSSE Award was granted for solid long-term (safety) performance and was handed over to the team of Constantia Tobepal operating two plants in Spain for the commitment and personal engagement of the local leadership-team plus the outstanding HSSE-initiatives and involvement of shop floor-personnel,
  - after the requirements of two new group Standards for HSSE had been successfully implemented within Constantia Flexibles group during 2018, the anticipated return of these efforts could have been obviously reaped: Beside having one standardized information-board displaying the local safety performance at all main-gates of plants, the expansion of globally standardized rules was implemented to retain the attention and attraction for further deepening further Safety awareness and its importance,
  - following the results of internal risk-management processes, the topic of Fire Safety was decided to be put as one of the top-priorities for 2019. Trainings, related Safety Initiatives and technical guidance with detailed specifications ensured to improve the externally measured risk-score and sustainably protect all potentially exposed people and the assets;
- ##### ■ Social initiatives, in particular:
- Constantia Cooking - Employees of Rivergate headquarters cook monthly for the homeless at VinziRast in Vienna since 2009,
  - START Austria - Constantia Flexibles is supporting "START" students in Austria. These young people, who are coming from countries such as Afghanistan or Syria, are encouraged and supported to get the maximum out of their talents. As an example, one young man from Syria visited Constantia Teich during a field trip and showed great interest in the plant and the mechanical apprenticeships. After applying, he was offered an internship and later on an apprenticeship as a mechanical engineer,
  - in Turkey, the team at Constantia Flexibles' plant ASAŞ gave donations which were used for purchasing shoes for children from a school for special needs,
  - one of its plants in Poland, Constantia Teich Poland, supported a charity campaign which is aiming at helping children from families in need. During the campaign, food, cosmetics, school supplies, toys and clothing were collected and handed over to the children during a Christmas Party,

- colleagues from Parikh Packaging plant in India conducted safety and hygiene trainings in local schools. The goal was to make students aware of road safety, fire safety and measures to avoid illness,
- at Constantia Patz, located in Austria, an initiative was set up, where employees could track their sport activities. The total number of collected hours were then converted into a donation to a local organization that supports teenagers and young people who cannot live at home anymore due to family issues.

requested to share their view (external materiality) on Constantia Flexibles' sustainability topics (internal materiality) and to rate Constantia Flexibles' engagement in these areas using an online questionnaire developed together with specialized external experts.

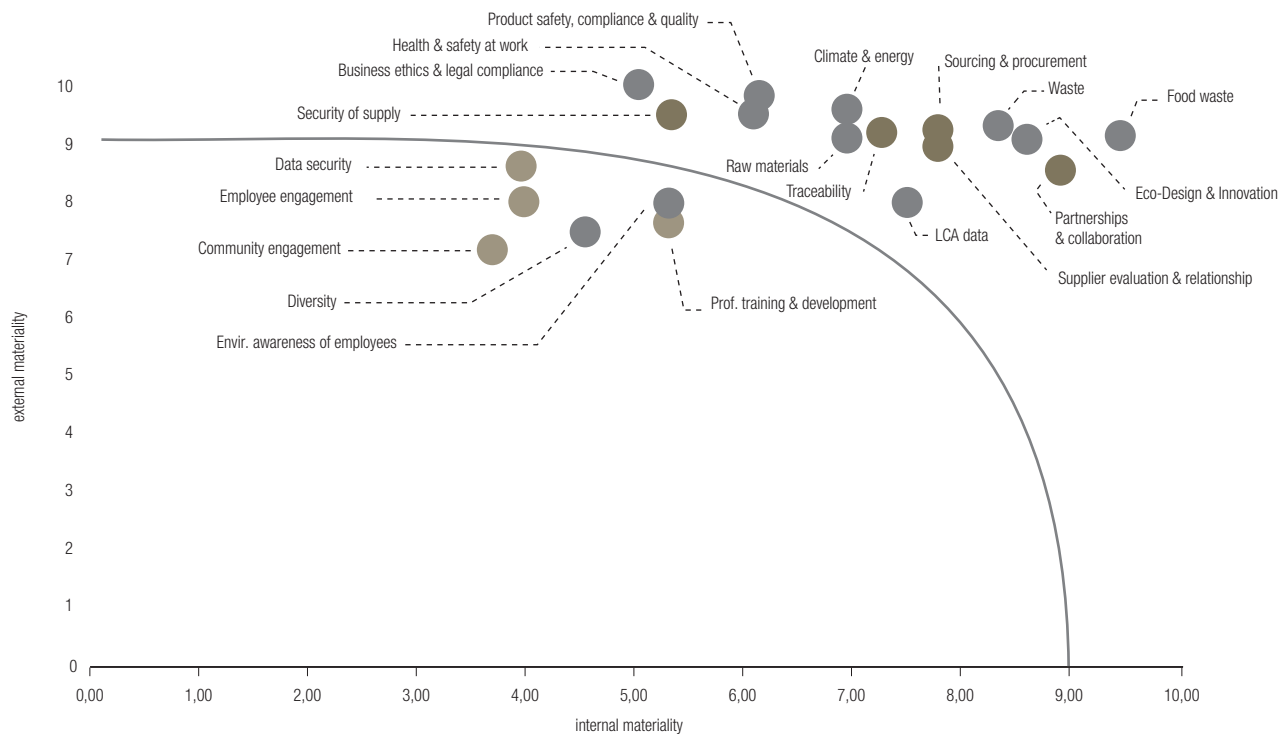
The result of this assessment shows that Constantia Flexibles' internal view on the materiality of the company's sustainability topics is largely in line with the external assessment by its stakeholders. Qualitative responses were focused on environmental issues, providing a qualitative indication of importance. Many remarks and stakeholder expectations stressed topics with regard to eco-design, recyclability, barrier function, environmental impact of packaging materials and the communication of features to the broad public. Regarding Constantia Flexibles' engagement, topics such as product safety and compliance, business ethics, packaging and design, traceability as well as health and safety at work were rated as high, demonstrating the company's areas of strength.

Constantia Flexibles is already working on all topics with highest materiality and will continue to focus on these areas and to further pursue an intensive dialogue with its stakeholders.

#### 4.3.2.3 Materiality matrix

By developing a robust understanding of what issues are material to their operations, firms can better prevent or mitigate risks. Choosing what to report is an important decision for a company and can be guided by determining the materiality of each sustainability topic in accordance with the Global Reporting Initiative (GRI). With respect to relations with its stakeholders, Constantia Flexibles combined an internal impact assessment with a broad stakeholder analysis in accordance with the AA1000 stakeholder engagement Standard. Stakeholders were

#### Constantia Flexibles materiality matrix



## 4.3.2.4 Main Risks

Constantia Flexibles has defined the following material risks as being key for the sustainable extra-financial performance and as a matter of course in the context of its successful business activities. The following main risks are based on the comprehensive assessment of materiality and on the established internal risk and opportunity management system.

Because of the nature of the activities for manufacturing flexible packaging for agri-food and pharmaceutical industries, Constantia Flexibles considered that the topic of "Fight against food insecurity, respect for animal welfare, responsible, fair and sustainable food" does not represent a main extra-financial risk and does not need to be developed in this declaration.

## Overview of Constantia Flexibles main extra-financial risks, policies and KPIs

CSR Topics	Extrafinancial risk	Description	Mitigation policies and actions	KPIs	Related paragraph
<b>HEALTH &amp; SAFETY</b> (Wendel historical priority)	Hazardous working conditions	Several manufacturing processes (technology, machinery) and hazardous substances (e.g. solvents, inks) used to produce flexible packaging have the potential to harm peoples health & safety.	Group Policy for HSSE plus annexure "group HSSE Policy" stating its vision of ZERO LOSS-NO HARM.  Other underlying group standards for Health & Safety.  HSSE-related STI (short term incentive) bonus targets for proactive measures to be set.	Lost Time Injuries Frequency Rate (LTIFR).  Number of Occupational Diseases.	4.3.2.4.6
	Consumer H&S	Constantia Flexibles transforms this requirement into strong business opportunities by developing new packaging solutions to satisfy the need of (end-) customers' Health & Safety for its direct clients (food- and pharma-industry).  Moreover, according the global trends Constantia Flexibles chose to be innovative for - like Urbanization, Emerging middle class, Health, Premium Products and Sustainability, the company recognizes and realize a lot of further options to improve sustainable packaging by meeting customer's needs.	Register of regulatory requirements and further internal regulations on Food Safety/Food defense plan (incl. HACCP) and for GMP and hygiene-aspects in production.	<i>KPI to be defined in 2020.</i>	4.3.2.4.8

CSR Topics	Extrafinancial risk	Description	Mitigation policies and actions	KPIs	Related paragraph
<b>ESG PERFORMANCE OF PRODUCTS</b> (Wendel historical priority)	Increasing Demand and Regulation for Sustainable Packaging	Current and emerging regulations regarding packaging and the circular economy.	Active collaboration in supply chain spanning initiatives and projects (e.g. New Plastics Economy, CEFLEX, Stop Waste Save Food Initiative, Sustainable Packaging Coalition, UN Save Food Initiative, European Commission's PEF initiative).  Signatory to the New Plastics Economy Global Commitment, pledging that 100% of packaging will be recyclable by 2025.  Opening of Ecoflex Ahmedabad, the first plant on the planet designed to produce recyclable flexible packaging only (EcoLam product family).  Life Cycle Assessments (LCA) are conducted with a peer-reviewed LCA-meta-model.	Recyclability of product portfolio (%).	4.3.2.4.2
<b>ENVIRONMENT</b>	Climate change	The global increase of Greenhouse Gas (GHG) emissions from human activities is a significant driver of global warming, having severe and costly consequences for ecosystems and communities.	Sustainability Policy in place.  Measurement and reporting of direct and indirect GHG emissions (Scope 1, 2 & 3) of all plants worldwide.  Absolute and relative GHG-emissions reduction targets in place.  Plant certifications (ISO 14001 and ISO 50001).	Renewable electricity (% total electricity consumption).  GHG intensity - Scope 1 & 2. (ktCO <sub>2</sub> -eq/Mio.m <sup>2</sup> produced).  Total absolute emissions (1+2 <sup>(1)</sup> +3) - kt CO <sub>2</sub> -eq.	4.3.2.4.1
	Air pollution	Constantia Flexibles is aware of the risk of air pollution and the impact of VOC emissions on the environment. These emissions are originated in plants from the usage of solvents.	Sustainability Policy in place.  Regenerative Thermal Oxidizers installed in several plants.	VOC emissions intensity (ton/Mio.m <sup>2</sup> produced).  Consumer division.  Pharma division.	4.3.2.4.7

CSR Topics	Extrafinancial risk	Description	Mitigation policies and actions	KPIs	Related paragraph
SOCIAL	Shortage of Skilled Labor Workers	Motivated and well-trained employees are key to success for Constantia Flexibles. However, finding skilled labor workers, especially on shopfloor level, becomes more and more difficult and in some areas is even a major issue.  Thus, Constantia Flexibles is facing the risk of non-availability of qualified employees and consequently the risk of non-filling crucial positions, regardless if this may occur for blue collar, specialist or management level.	Policies are implemented on site level as per local needs and requirements.	Hire rate. Turnover rate.	4.3.2.4.4
	Lack of Trainings and Development Activities	As Constantia Flexibles is a global player on the packaging market, personnel development is key to sustainable success. Missing trainings and development activities can lead to a decrease of motivation, resulting in high attrition and low performance, increased recruiting/replacement costs and loss of competitive advantage.	Group Training Policy in place that governs minimum requirements, roles and responsibilities as well as documentation, evaluation and reporting requirements on a global level.	Training hours per FTE (Full-time Equivalent). Share of employees trained for minimum 1 day.	4.3.2.4.5
SUPPLY CHAIN	Environmental, Social and Ethical Risks in raw material Sourcing	Risks in relation with Constantia Flexibles' raw material sourcing (aluminum, plastics, paper, and chemicals like inks and solvents).	Supplier Code of Conduct in place. Aluminium Stewardship Initiative certification of C. Teich. Supplier audits and CSR evaluation.	Number of suppliers audits carried out. CSR questionnaire coverage of suppliers (in Scope 3 emissions and procurement spend).	4.3.2.4.3

(1) Scope 2 location based.

(2) Peer-reviewed Scope 3 value of 2018.

(3) Comprehensive supplier assessment every 2-4 years.

#### 4.3.2.4.1 Climate Change (including Greenhouse Gas (GHG) Emissions)

Description	Mitigation policies and actions	KPIs	2018	2019
The global increase of Greenhouse Gas (GHG) emissions from human activities is a significant driver of global warming, having severe and costly consequences for ecosystems and communities	Sustainability Policy in place	Renewable electricity (% total electricity consumption)	15%	15%
	Measurement and reporting of direct and indirect GHG emissions (Scope 1, 2 & 3) of all plants worldwide	GHG intensity - Scope 1 & 2 (ktCO <sub>2</sub> -eq/Mio.m <sup>2</sup> produced)	0.0614	0.0599
	Absolute and relative GHG-emissions reduction targets in place	Total absolute emissions (1+2 <sup>(1)</sup> +3) - kt CO <sub>2</sub> -eq	1,787.96	1,811.80 <sup>(2)</sup>
	Plant certifications (ISO 14001 and ISO 50001)			

(1) Scope 2 location based.

(2) Peer-reviewed Scope 3 value of 2018.

The global increase of Greenhouse Gas (GHG) emissions from human activities is a significant driver of global warming, having very severe consequences for ecosystems and communities.

Constantia Flexibles considers environmental responsibility to be an integral part of its entrepreneurial activities. Its commitment is based on the following principles:

- awareness of possible environmental risks and how to minimize them by selecting certain product technologies;
- use of more environmentally friendly (raw) materials in the product portfolio;
- use of every opportunity for a reduction of the impact Constantia Flexibles has on the atmosphere, soil and water as well as the implementation of appropriate measures to lower greenhouse gas emissions; and
- maximum utilization of resource friendly and environmentally friendly technologies alongside the ongoing optimization of material use.

Among other tasks relating to corporate responsibility, Constantia Flexibles collects and monitors key data on its internal performance throughout the group. Since 2005, the company has been measuring its direct and indirect emissions (Scope 1 and Scope 2) and is quantifying as well the indirect emissions (Scope 3) coming from upstream and downstream value chain activities. Direct and indirect Greenhouse Gas (GHG) emissions are generated by Constantia Flexibles' plants by production processes consuming electricity, gas, steam and hot water, as well as indirectly by purchased goods and services and fuel- and energy related activities.

### Energy

Constantia Flexibles had a total energy consumption of 604,150 MWh in 2019, which is an 8% increase compared to 2018. The increase in energy consumption can be mainly attributed to the acquisition of 8 additional production plants. The table below shows the split of energy consumption by source.

Energy source	[%]
Electricity	48.14%
Natural gas	41.09%
LPG	3.04%
Steam	3.00%
Hot water	1.02%
Fuel oils	3.65%
Heating oil	0.05%

In 2019, 17 plants used technologies for the recovery of solvents and/or for the avoidance of solvent emissions (14 plants were using RTOs (Regenerative Thermal Oxidizers), 12 plants had the possibility to recover solvents at their facilities). In addition, Constantia Flexibles works for a continuous improvement related to energy efficiency, for example through the heat recovery from RTOs at some plants. The amount of energy recovered from RTOs (e.g. through a thermal oil system) is not included in the energy reporting.

Moreover, several of the plants in Europe are verified against the ISO 50001 standard and therefore place special emphasis on reducing energy consumption.

### Corporate Value Chain Accounting

Constantia Flexibles measures and reports Greenhouse Gas (GHG) emissions according to the internationally recognized Greenhouse Gas Protocol and is verified annually by an external consultant for its Scope 1, Scope 2 and Scope 3 calculation methodology.

The table below shows the overall Scope 1 and 2 and 3 GHG emissions of Constantia Flexibles for 2018 and 2019. Total Scope 1 & Scope 2 emissions increased by 9% compared to the previous year. This can be mainly attributed to the acquisition of 8 additional production plants.

	2018	2019	Variation [%]
Scope 1 (kt CO <sub>2</sub> -eq)	112.68	118.40	5%
Scope 2 (kt CO <sub>2</sub> -eq)	143.95	162.08	13%
GHG intensity (Scope 1+2) (in kt CO <sub>2</sub> -eq/Mio.m <sup>2</sup> )	0.0614	0.0599	-2%
Scope 3 (kt CO <sub>2</sub> -eq)	1,531.33	1,531.33 <sup>(1)</sup>	-

- (1) Peer-reviewed Scope 3 value (raw materials & fuel and energy related activities) of 2018. As Constantia Flexibles is a respondent to the CDP (Carbon Disclosure Project), Scope 3-emissions data are externally audited and published on the CDP platform on an annual basis. As this process takes place in the second quarter of each year, the Scope 3 value for 2019 is not published yet in this document. However, it can be observed that Scope 3 emissions decreased by 1% between 2017 and 2018.

Constantia Flexibles accounts the corporate Scope 1 and 2 emissions with a professional software tool which supports the group wide data collection and emission calculation. The application of this software tool ensures structured and transparent data collection for all production sites located in countries around the world.

More than half of the company's emissions are occurring as a result of the electricity consumption (Scope 2). To address these emissions, Constantia Flexibles is in close contact with its electricity suppliers with the aim to increase the share of purchased electricity coming from renewable resources. In 2016 Constantia Flexibles has taken the step to switch to green electricity (produced 100% from renewable resources - backed by certificates) in several plants, covering 15% of the total electricity consumption in 2019, which supports the company to reach its absolute greenhouse gas emission reduction target.

Most of the remaining emissions still occur due to the solvent and natural gas consumption, which are Scope 1 emissions. For this reason, Constantia Flexibles is reducing its Scope 1 emissions by using more solvent free inks and water based lacquers.

In addition to the assessment of direct and indirect emissions occurring due to the activities of the Constantia Flexibles group, the indirect emissions caused by processes up-and downstream of the supply chain (Scope 3 emissions) are evaluated. Following a first analysis on selected Scope 3 emission sources, Constantia Flexibles set up an evaluation method on a group-wide scale for significant emissions sources. Aluminum and plastic raw material purchases represent approximately 80% of the company's Scope 3 emissions (2018), therefore purchased goods used to manufacture Constantia Flexibles' products are the most important element of Scope 3 emissions of the company. For Constantia Flexibles the total material Scope 3 emissions are a key factor in terms of achieving its corporate target. Since 2015 material Scope 3 emissions are thus tracked for each of Constantia Flexibles' plants. This enables the group to identify and analyze hotspots to initiate projects in direct contact with its suppliers, such as the Aluminium Stewardship Initiative, to decrease Scope 3 emissions deriving from purchased raw materials. Constantia Flexibles therefore also engages with its suppliers to evaluate these emissions.

Knowledge of site-specific challenges on corporate, product and raw material level helps Constantia Flexibles to tackle similar problems throughout the group. Constantia Flexibles pays particular attention to continual improvements in the consumption of raw materials, which are essentially aluminum, plastics, paper, and chemicals like inks and solvents. Potential environmental impacts on the level of product sustainability are made quantifiable through comprehensive investigations (for example by conducting life cycle assessments).

To promote opportunities for reduction of emissions, Constantia Flexibles has set a company-wide spanning goal of a 40% reduction in Greenhouse Gas (GHG) emissions by 2023 (Scope 1 and 2 emissions per square meter produced, setting 2005 as reference year). Furthermore, in 2017 Constantia Flexibles developed a group-wide absolute emissions reductions target, which was approved by the Science Based Targets initiative (SBTi) in 2018. The Science Based Targets initiative is a collaboration between the Carbon Disclosure Project (CDP), the United Nations Global Compact (UNGC), World Resources Institute (WRI), and the World Wide Fund for Nature (WWF) and one of the *We Mean Business Coalition* commitments.

Constantia Flexibles commits to reduce absolute Scope 1, 2 and 3 Greenhouse Gas (GHG) emissions 24% by 2030 and 49% by 2050 from a 2015 base-year. Targets adopted by companies to reduce GHG emissions are considered "science-based" if they are in line with the level of decarbonization required to keep global temperature increase below 2 degrees Celsius compared to pre-industrial temperatures. Setting this ambitious target in line with climate science demonstrates to customers and other stakeholders Constantia Flexibles' dedication to play its part in international efforts to limit global temperature rise and to continuously improve sustainability performance across the value chain. This target was communicated internally and externally. The break-down of the group target and the yearly reductions on plant level have been agreed by Constantia Flexibles' Board in 2019. The operationalization of the target will start in the course of 2020.

The table below shows the progress of Constantia Flexibles' absolute and relative targets:

Indicator	2015 baseline CO <sub>2</sub> -eq kt	2019 performance <sup>(1)</sup>	2030 objective
Reducing absolute GHG emissions by 24% until 2030 and 49% until 2050 (Scope 1, 2 and 3)	1,974	-8%	-24%

(1) Peer-reviewed Scope 3 value (raw materials & fuel and energy related activities) of 2018. As Constantia Flexibles is a respondent to the CDP (Carbon Disclosure Project), Scope 3-emissions data are externally audited and published on the CDP platform on an annual basis. As this process takes place in the second quarter of each year, the Scope 3 value for 2019 is not published yet in this document. However, it can be observed that Scope 3 emissions decreased by 1% between 2017 and 2018. Scope 2 location based.

Indicator	2005 baseline CO <sub>2</sub> -eq kt/Mio. m <sup>2</sup>	2019 performance	2023 objective
Reducing GHG emissions 40% by 2023 (Scope 1 and 2 per m <sup>2</sup> )	0.08	-24%	-40%

To better reflect the importance of sustainability also more clearly in the written company principles, Constantia Flexibles revised its environmental policy to a more comprehensive sustainability policy, including an annex which details actions and measures in place to meet the company's commitments. This sustainability policy clearly outlines Constantia Flexibles' core values and targets to employees and external stakeholders. In addition, the Code of Conduct and Code of Conduct for Suppliers were updated in 2019, including more comprehensive clauses on environment and responsible sourcing.

Constantia Flexibles shares key environmental data throughout the supply chain and collaborates with selected platforms/projects, such as CDP (Carbon Disclosure Project) and EcoVadis. In 2019 Constantia Flexibles improved its already strong CDP climate score even further. CDP evaluates strategies, goals, and actual reductions in emissions annually, along with the transparency and verification of reported data. In recognition of both the high degree of transparency in climate change reporting and climate protection efforts, Constantia Flexibles was rewarded with a high CDP Climate Score Rating in 2019. Out of the 8400 companies that disclosed their environmental data through CDP in 2019, Constantia Flexibles is in the top 2 percent that made it to the CDP A List - recognizing the company as corporate leader on climate

action through transparency. This above average score demonstrates Constantia Flexibles' high level of environmental stewardship, and the company's actions and approaches in managing climate change. Constantia Flexibles also participated in CDP's supply chain program and was assessed against CDP's supplier engagement rating methodology in addition to the CDP climate scoring methodology. Constantia Flexibles has been identified as a global leader for engaging with its suppliers on climate change and was therefore awarded a position on the CDP Supplier Engagement Leaderboard (Score A).

Constantia Flexibles is also a well-rated member of EcoVadis. EcoVadis aims at improving environmental and social practices of companies by leveraging the influence of global supply chains. EcoVadis operates the first collaborative platform providing supplier sustainability ratings for global supply chains. Combining innovative information technologies and a shared service expertise on sustainable procurement topics, EcoVadis wants to help procurement organizations improve their practice, while reducing the costs of monitoring supplier sustainability. In 2019, Constantia Flexibles as a group received the gold CSR recognition level of EcoVadis for the third time in a row, placing the company among the top 2% of all suppliers evaluated by EcoVadis in this industry.

#### 4.3.2.4.2 Increasing Demand and Regulation for Sustainable Packaging

Description	Mitigation policies and actions	KPIs	2018	2019
Current and emerging regulations regarding packaging and the circular economy	<p>Active collaboration in supply chain spanning initiatives and projects (e.g. New Plastics Economy, CEFLEX, Stop Waste Save Food Initiative, Sustainable Packaging Coalition, UN Save Food Initiative, European Commission's PEF initiative)</p> <p>Signatory to the New Plastics Economy Global Commitment, pledging that 100% of packaging will be recyclable by 2025</p> <p>Opening of Ecoflex Ahmedabad, the first plant on the planet designed to produce recyclable flexible packaging only (EcoLam product family)</p> <p>Life Cycle Assessments (LCA) are conducted with a peer-reviewed LCA-meta-model</p>	Recyclability of product portfolio (%)	60%	Not available*

\* The commitment (all products to be recyclable by 2025) was made in 2018. The 2019 evaluation was still in progress at date of publication.

Due to current and emerging regulations regarding packaging recyclability, as well as lower demand for non-recyclable packaging (e.g. complex multimaterial laminates in Constantia Flexibles' product portfolio) and stigmatization of packaging by consumers, Constantia Flexibles faces the risks of increased operating costs, compliance costs and loss of market share. Additional life cycle assessments (LCA) and footprint information of products will need to be conducted in order for the products to comply with the regulation, e.g. expected national/EU labelling legislations and standards, such as the Product Environmental Footprint - PEF - initiative of the European Commission, and the mandatory reporting of the CO<sub>2</sub> performance of FMCGs.

In terms of associated opportunities, the extended producer responsibility legislation and the Packaging and Packaging Waste Directive (under the Circular Economy framework) are giving Constantia Flexibles a "motivation" to further develop and push new recycling technologies for its flexible packaging. Also, the funding of these technologies can be ensured. Increase of flexible packaging collection and recycling rates result in higher demand for Constantia Flexibles' recyclable flexible packaging solutions. In addition, Constantia Flexibles sees the opportunity to develop recyclable packaging solutions, which would pose lower Extended Producer Responsibility fees and therefore give Constantia Flexibles a competitive advantage from this point of view.

##### 4.3.2.4.2.1 Circular Economy

As an active member participating in several innovative projects Constantia Flexibles understands the importance of plastic packaging design. It thus joined the New Plastics Economy initiative led by the Ellen MacArthur Foundation that seeks to build a system in which plastic never becomes waste or pollution. The ambitious vision underlying the initiative is part of the circular economy and has inspired several firms throughout the value chain, philanthropic organizations, cities and governments to take part. The initiative focuses on three actions required to achieve the vision and create a circular economy for plastics: Eliminate problematic and unnecessary plastic items, innovate to ensure that the plastics needed are reusable, recyclable, or compostable and circulate all the plastic items used to keep them in the economy and out of the environment.

As a global flexible packaging producer for the consumer and pharma-industry and a company being committed to sustainability from the very beginning, Constantia Flexibles recognizes the importance of supporting the development towards a circular economy for plastics. In 2018 Constantia Flexibles therefore pledged that 100% of its consumer and pharma packaging will be recyclable by 2025. Future product innovations will focus on the implementation of design guidelines to develop specifications which are recyclable - in practice and on a commercial scale. This pledge is part of Constantia Flexibles' commitment to the New Plastics Economy "Global Commitment", which unites many of the world's largest packaging producers, brands, retailers, recyclers, governments and NGOs and is underpinned by shared ambitions, definitions and a high degree of transparency, working on solutions that address the root causes of plastic waste and pollution. Constantia Flexibles believes that working side-by-side, businesses and governments can tackle plastic pollution at its source and is therefore proud to be among the more than 400 companies that have signed the Global Commitment. Signatories include companies representing 20% of all plastic packaging produced globally. The Global Commitment and its vision for a circular economy for plastic are supported by the World Wide Fund for Nature (WWF), and have been endorsed by

the World Economic Forum, The Consumer Goods Forum as well as universities, institutions and academics. As Constantia Flexibles is committed to play its part to contribute to the transition from a linear to a circular economy, the company extended its participation in the New Plastics Economy initiative for the next period, until 2022.

As part of the CEFLEX project (A Circular Economy for Flexible Packaging), Constantia Flexibles as a founding member also intensively works on further enhancing the performance of flexible packaging in the circular economy by advancing better system design solutions *via* collaboration. CEFLEX is the collaborative project of a European consortium of companies and associations representing the entire value chain of flexible packaging. Project goals set for 2020 and 2025 include the development of robust design guidelines for both flexible packaging and the infrastructure to collect, sort and recycle them. CEFLEX stakeholders are working together in seven workstreams to identify and develop the best solutions: 1. Design guidelines, 2. Understand the European flexible packaging market, 3. Identify and develop sustainable end markets for secondary materials, 4. Develop a sustainable business case, 5. Proof of principle in a pilot region, 6. Facilitating technologies, 7. Communication. Constantia Flexibles is an active member in six of these working groups and continuously works on increasing the recyclability of flexible packaging.

To manage and achieve 100% recyclability until 2025, Constantia Flexibles will continuously evaluate the status in terms of recyclability of its product portfolio and track progress towards the goal. To provide internal stakeholders with the necessary background information to discuss product options and to work towards the achievement of Constantia Flexibles' recyclability target, Constantia Flexibles developed a comprehensive recyclability guidance document in 2019. This document addresses essential knowledge with regard to flexible packaging recycling, provides details on the regulatory context, data on the packaging recycling market, available sorting technologies and common criteria of standards/guidelines on designing packaging to be recyclable. Based on these criteria, Constantia Flexibles completed the detailed assessment of its entire product portfolio in 2019 to identify non-recyclable structures and is in the process of developing a roadmap to address each of these. Currently already 60% of the product portfolio (% recyclable output [m<sup>2</sup>] of sold output [m<sup>2</sup>] in 2018) is recyclable (according to the Ellen MacArthur Foundation's New Plastics Economy definition: A

packaging is recyclable if its successful post-consumer collection, sorting and recycling is proven to work in practice and at scale).

As the European Strategy for Plastics in a Circular Economy stipulates that all plastic packaging has to be recyclable by 2030, Constantia Flexibles supports the food industry to meet legal requirements by developing "Constantia ecolutions". And in doing so, the company also helps to create products appealing to an ever increasing share of consumers caring for sustainability. As pledged in 2018 to offer recyclable solutions for the whole product portfolio until 2025, first projects were already realized with EcoLam (a pure PE (polyethylene) based solution which allows recycling in the PE waste/sorting stream). In November 2019, Constantia Flexibles celebrated the opening of Ecoflex Ahmedabad, the first plant on the planet designed to produce recyclable flexible packaging only.

In 2019 the full Ecolutions product family was launched to provide the market with a more sustainable option for flexible packaging. With various products offered already today (EcoLam, EcoCover, EcoPouch, EcoTainerAlu) Constantia Flexibles is ready to enter into a new era of packaging.

Constantia Flexibles also collaborates with stakeholders along the whole supply chain raising the awareness that without the protection that packaging provides for products during their lifetime, the targeted provision of goods would be impossible. Constantia Flexibles is engaged in several projects of the "Stop Waste Save Food" initiative, an industry-spanning collaborative project, which is funded by the Austrian Research Promotion Agency (FFG) and aims to develop practical solutions for the reduction of food waste through process and packaging optimization. Moreover, Constantia Flexibles is also working to reduce food waste as a member of the UN Save Food Initiative. The Save Food Initiative was introduced 2011 to put the issue of global food losses onto the political and economic agenda. As the global population continues to rise, it is imperative to find ways to reduce food waste (whether due to food being thrown away or allowed to spoil) and packaging solutions have an important role to play in ensuring sustainability. For this reason, the focus of Constantia Flexibles' current efforts is on minimizing environmental impact, reducing material consumption (e.g. by downgauging of material thickness) and optimizing recyclability - while still maintaining the other top-quality product features - of the packaging solutions it provides to customers around the world.

To proactively address risks driven by regulatory change, Constantia Flexibles concerns itself intensively with the topic of sustainability at the association level as a participant in international task forces. In addition to being a permanent member and chair of Flexible Packaging Europe's Sustainability Committee, Constantia Flexibles participates in the European Aluminium Foil Association's Foil Sustainability Action Group, working constantly toward making its voice heard in terms of current affairs, initiating projects and encouraging intercompany cooperation in defense of common interests.

Likewise, Constantia Flexibles' membership in the Sustainable Packaging Coalition (SPC) strengthens its ties to key accounts and increases shared understanding of the sustainability issues affecting the packaging industry. The SPC is a task force dedicated to the vision of more environmentally friendly packaging. As a committed member of the multi-material flexible packaging recovery initiative, Constantia Flexibles understands the increasing importance of finding solutions for collecting, sorting and recovering multi-material packaging. Constantia Flexibles understands that sharing efforts on a global level to develop recycling solutions advances collective understanding, and shared best practices, to create a sustainable solution for the management of multi-material flexible packaging at their end of life.

Constantia Flexibles also takes an active interest in legislation regarding the European Commission's initiative on the development of Product Environmental Footprint Category Rules (PEFCR). Constantia Flexibles is helping to map the entire value chain for the purposes of these studies, allowing the categories of environmental impact put forward by the European Commission to be reviewed and evaluated.

#### 4.3.2.4.2.2 Life Cycle Assessments

Constantia Flexibles is conscious of its role and responsibility as part of the value chain and strives constantly toward making further improvements to its processes and products with regard to sustainability. Alongside the monitoring and development of relevant trends with the potential to improve the sustainability of its products on the market, support for internal (e.g. sales and product management teams) and external stakeholders is another of Constantia Flexibles' key endeavors. The life cycle assessment (LCA) studies led by Constantia Flexibles in cooperation with associations are fundamental to the improvement of its ecological footprint. Constantia Flexibles has chosen an innovative path by integrating corporate and product sustainability in life cycle assessment. Life cycle assessments at Constantia Flexibles have thus been conducted since mid-2015 via a semi-automated approach, in order to meet the range of inquiries from customers and those which come up in the course of life cycle design more efficiently. This peer-reviewed innovative LCA-meta-model enables Constantia Flexibles to provide customers and other stakeholders with information on the environmental footprint of products by allowing to flexibly evaluate any combination of production processes, raw material input, waste handling possibilities and country specific settings to a high level of detail.

By being able to make credible claims on product sustainability, Constantia Flexibles will be seen as a reliable partner for its customers, facing transparency expectations from end consumers and legislators. In addition, there is the possibility to gain a competitive advantage and to discover potential cost savings through product optimization.

#### 4.3.2.4.3 Environmental, Social and Ethical Risks in raw material Sourcing

Description	Mitigation policies and actions	KPIs	2018	2019
Risks in relation with Constantia Flexibles' raw material sourcing (aluminum, plastics, paper, and chemicals like inks and solvents)	Supplier Code of Conduct in place	Number of suppliers audits carried out	<i>Not available</i>	40
	Aluminium Stewardship Initiative certification of C. Teich	CSR questionnaire coverage of suppliers (in Scope 3 emissions and procurement spend)	80%	<i>Not available<sup>(1)</sup></i>
	Supplier audits and CSR evaluation			

(1) Comprehensive supplier assessment every 2-4 years.

Constantia Flexibles understands the main risk associated with its consumption of raw materials to be the environmental impact of sourcing these materials. Mainly aluminum, plastics, paper and chemicals like inks and solvents carry risks of inefficiency, reputational damage, compliance costs, operational disruptions and resource depletion.

Therefore, Constantia Flexibles sees collaboration throughout the value chain (e.g. in order to implement responsible sourcing certifications) as an important component of a comprehensive approach to sustainability. Constantia Flexibles is a founding member of the Aluminium Stewardship Initiative (ASI), which was established to promote sustainability performance and transparency across the entire aluminum value chain. Introduced by several businesses, ASI, as a non-profit initiative, aims to

mobilize a broad base of players in the value chain toward implementing responsible business ethics and environmental and social performance practices and toward establishing corresponding standards. In 2018, Constantia Flexibles' largest plant C. Teich has become the first aluminum foil roller and packaging converter and the first European company to be certified according to ASI's Performance Standard for environmental, social and governance performance. ASI Certification of the Teich facility signifies that Constantia Flexibles' practices meet the industry's highest standards. In 2019, Constantia Teich successfully completed the audit in accordance with ASI's Chain of Custody Standard, which complements the ASI Performance Standard and sets out requirements for the creation of a Chain of Custody for CoC material, including ASI aluminum. Constantia Flexibles purchases 90% of its aluminum from other ASI members.

Due to Constantia Flexibles' increased presence (10 operating companies) in these areas, the sourcing portion in countries such as India has grown. Raw material purchases for the company's Indian plants represent almost 10 percent of total raw material spend and are often sourced locally from global key players for chemicals but also from reputable local champions with short delivery distances.

Constantia Flexibles' proportion of main materials [€ purchase volume] shows a drop especially for aluminum to approximately 33% (from about 40% in FY2018) due to the development of this material's commodity-price at the London Metal Exchange (LME). Such risk of raw material pricing and its potential impact to Constantia Flexibles financial results is also actively managed with an organization in place at group procurement to monitor, hedge and sustainably source from the market following the requirements of the Code of Conduct beside performing business impact analysis and other required supply chain activities.

Consequently, within the CEFLEX (A Circular Economy for Flexible Packaging) and NPEC (New Plastics Economy) projects, Constantia Flexibles intensively works on further enhancing the performance of flexible packaging in the circular economy (see section "Increasing demand and regulation for sustainable packaging").

As part of its purchasing policy and to emphasize the interest of Constantia Flexibles in implementing its social responsibility and fair, ethical and sustainable principles of action and conduct throughout their entire supply chain, Constantia Flexibles has developed a Code of Conduct for suppliers which is published on its website. The "Code of Conduct for Suppliers and Subcontractors" defines the basic requirements that Constantia Flexibles places on its suppliers of goods and services and subcontractors concerning their responsibility towards their stakeholders and the environment. The principles described in this Code of Conduct are based, to a large extent, on the principles of the Universal Declaration of Human Rights of the United Nations, on the Conventions of the International Labour Organization (ILO), and on the UN Conventions on the Elimination of all Forms of Discrimination against Women and on the Rights of the Child. Of course the fair trade practices, integrity vis-à-vis all stakeholders and environmental protection are also part of the Code of Conduct for suppliers. Based on the values described in this Code of Conduct, Constantia Flexibles strives for a close partnership with its suppliers and subcontractors with the aim of jointly creating added value for all stakeholders (e.g. through B2B R&D projects in particular). In 2019, the Code of Conduct was updated to better reflect the importance of sustainability in the written principles. The Code of Conduct for suppliers is part of the purchasing conditions set by Constantia Flexibles.

In 2019 Constantia Flexibles performed ~40 supplier audits, which represent about 11% of total spend. As part of supplier audits, the supplier's acceptance of Constantia Flexibles' Code of Conduct is confirmed.

Additionally, a comprehensive supplier questionnaire was developed together with an external consultant, which was rolled out to all main suppliers end of 2018. The two questionnaires covered general and environmental topics to understand the status quo of suppliers in terms of environmental topics and to carry out a supplier evaluation to identify top performers and weak spots. The questionnaires were sent to main suppliers, covering more than 80% of Scope 3 emissions and procurement spend. Generated supplier scorecards indicate the maturity level of suppliers and help Constantia Flexibles to inform suppliers on recommended climate related actions to improve their score.

## 4.3.2.4.4 Shortage of Skilled Labor Workers

Description	Mitigation policies and actions	KPIs	2018	2019
Motivated and well-trained employees are key to success for Constantia Flexibles. However, finding skilled labor workers, especially on shopfloor level, becomes more and more difficult and in some areas is even a major issue.  Thus, Constantia Flexibles is facing the risk of non-availability of qualified employees and consequently the risk of non-filling crucial positions, regardless if this may occur for blue collar, specialist or management level.	Policies are implemented on site level as per local needs and requirements.	Hire rate	15.0	17.5
		Turnover rate	13.5	15.1

Motivated and well-trained employees are key to success for Constantia Flexibles. However, it is becoming increasingly difficult to find skilled labor workers, especially on shopfloor level.

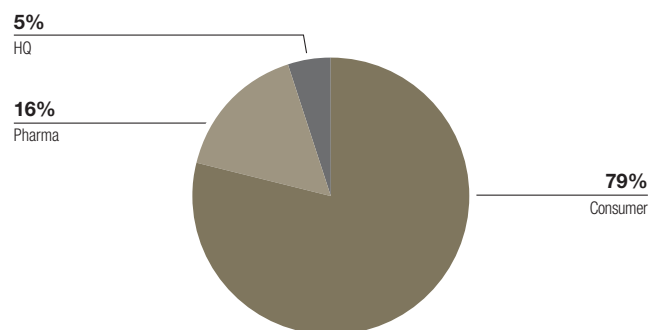
Thus, Constantia Flexibles is facing the risk of non-availability of qualified employees and consequently the risk of non-filling crucial positions, regardless if this may occur for blue collar, specialist or management level.

The number of employees (HC) at the end of the fiscal year 2019 was 8,367 with the majority (79%) of employees working in Constantia Flexibles Consumer division. During 2019, one production site in US and one production site in South Africa closed their operations. On the other hand, a new plant went into production in India in fall 2019. Overall, the total number of employees stayed quite stable, when comparing 2019 to the previous year. The newest Constantia Flexibles acquisition, Constantia TT, is not included in the figures below, as there was no coverage of Human Resources related data for the full year 2019.

## Headcount split per division at yearend 2018 and 2019

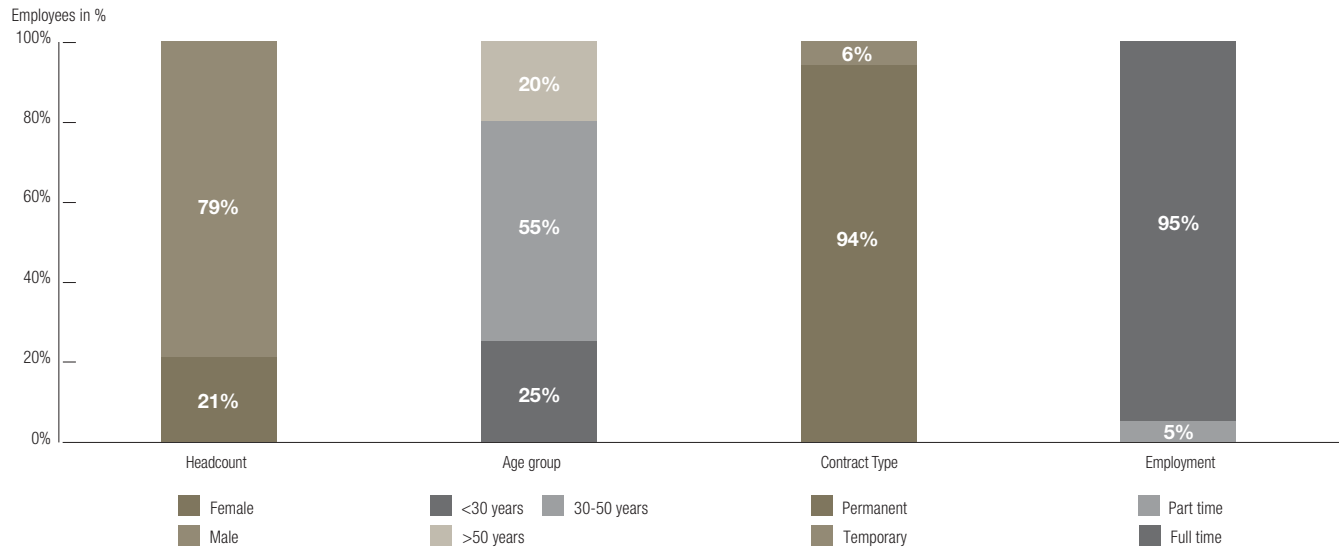
Division	2018		2019	
	Headcount	Headcount in %	Headcount	Headcount in %
Consumer	6,613	80%	6,593	79%
Pharma	1,346	16%	1,385	16%
HQ	363	4%	389	5%
<b>TOTAL</b>	<b>8,322</b>	<b>100%</b>	<b>8,367</b>	<b>100%</b>

## Employees per division 2019



55% of Constantia Flexibles' employees are 30-50 years old. Its workforce is 21% female and 79% male. 95% of the employees of Constantia Flexibles are full-time employees and 94% have permanent employment contracts. Compared to 2018, there is almost no variation in these proportions. In 2018, 56% out of all Constantia Flexibles' employees were between 30 and 50 years old, 21% of the total headcount were female and 79% were male employees. 95% of all employments were full-time and 94% of all employees had a permanent employment contract.

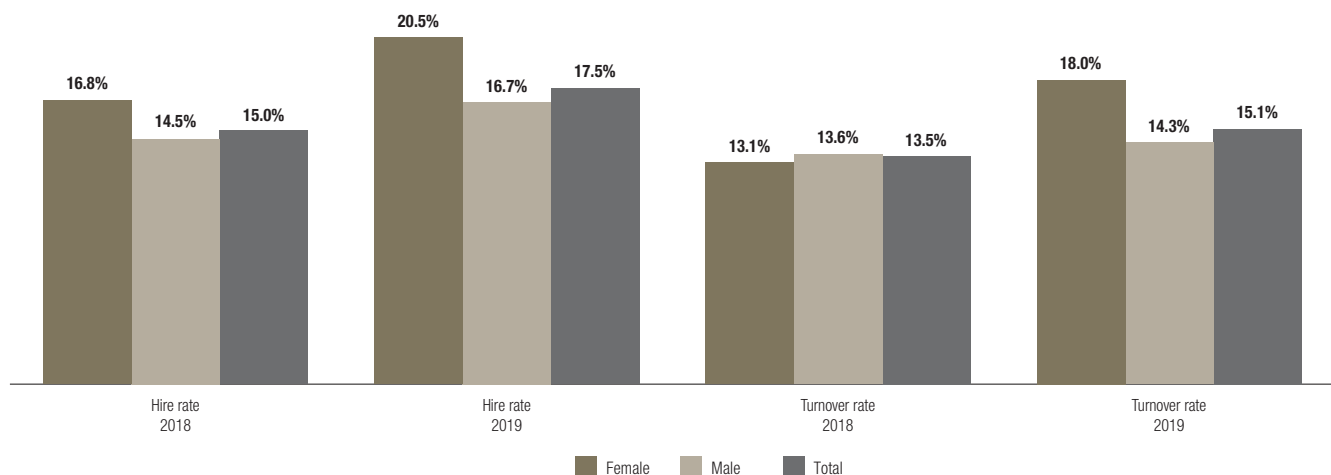
## Breakdown of employees by gender, age group, contract type and employment type 2019



The risk of a lack of skilled labor workers is monitored by tracking the hire and turnover rate in Constantia Flexibles on a monthly basis. In 2019, a total of 360 female and 1,105 male employees was hired in Constantia Flexibles entities. In the previous year Constantia Flexibles hired a total of 1,248 employees. During the reporting period, 1,263 employees left Constantia Flexibles, whereas in the previous reporting period 1,124 employees left the

company. In total, the hire rate for Constantia Flexibles in 2019 sums up to 17.5%, whereas the turnover rate amounts to 15.1%. In 2018, the hire rate was 15.0% and the turnover rate was 13.5%. This increase in numbers is due to the closing of two Constantia Flexibles production sites as well as the opening of one new site, as described above.

## Hire and Turnover rate by gender



Constantia Flexibles came to the conclusion that a formalized policy for addressing this risk is not feasible. This is due to the fact that this risk needs to be addressed in different ways, depending on different entities (size), regions and countries. A general and - with having a policy in place - mandatory global approach would not really fit this need. Thus, Constantia Flexibles came to the conclusion that a policy will not be implemented, but the local initiatives, as well as global ones (see below and others, e.g. succession management for key positions) are its major means to address this risk.

In order to mitigate the risk of a lack of skilled labor workers, Constantia Flexibles implemented a number of tools and initiatives. At group level, Constantia Flexibles is fostering the exchange of employees between different entities and supporting the development of employees. Moreover, job postings are published on the intranet and shared within the company’s HR community. For improving the recruiting process for both Constantia Flexibles HR staff and external applicants, a global online recruiting solution was successfully implemented for all European and South African sites. Currently, this solution is further rolled out to all Constantia Flexibles entities worldwide. This tool helps to publish all vacant

positions online and to set up a global talent pool. A concrete example for the successful development of own employees on local level, is the strong focus on apprentice- and traineeships, especially in Austrian and German Constantia Flexibles sites. At yearend 2019, a total of 156 apprentices, interns and trainees was employed at Constantia Flexibles worldwide.

Alongside the development of staff, equal opportunities form an important component of the HR strategy. The Constantia Flexibles group is made up of people of various origins, cultures, religious affiliations, genders and ages. This results in a range of different ways of thinking and viewing the world, of competencies and experiences, all of which contribute to the lasting competitiveness of the Company.

Constantia Flexibles is an equal opportunity employer with all employment decisions made without regard to race, color, religion, sex, sexual orientation, gender identity, age, disability, national origin, and citizenship/immigration status.

Around 2.6% of Constantia Flexibles’ workforce are employees with disabilities.

4.3.2.4.5 Lack of Trainings and Development Activities

Description	Mitigation policies and actions	KPIs	2018	2019
As Constantia Flexibles is a global player on the packaging market, personnel development is key to sustainable success. Missing trainings and development activities can lead to a decrease of motivation, resulting in high attrition and low performance, increased recruiting/replacement costs and loss of competitive advantage.	Group Training Policy in place that governs minimum requirements, roles and responsibilities as well as documentation, evaluation and reporting requirements on a global level.	Training hours per FTE (Full-time Equivalent)	17.51	18.52
		Share of employees trained for minimum 1 day	61.56%	58.46%

As Constantia Flexibles is a global player on the packaging market, personnel development is key to sustainable success. Missing trainings and development activities can lead to a decrease of motivation, resulting in high attrition and low performance, increased recruiting/replacement costs and loss of competitive advantage.

In order to address this risk, Constantia Flexibles is offering a large variety of development and training activities, based on a tailored Constantia Flexibles competency model for senior and middle management as well as professionals. A global training policy was implemented that acts as a framework for existing and future local as well as global training and development initiatives and tools. This policy also sets the minimum requirements for Constantia Flexibles training initiatives and training reporting.

Over the past years, the investment in people development programs, with a strong focus on senior and middle management development, has been gradually increased. Generally, Constantia Flexibles is increasingly offering interactive online modules in order to reach employees. Constantia Flexibles refreshes its range of trainings with focus on communication, efficiency at work and leadership skills to support employees in their career development and employability on an annual basis. The structured annual talks for all employees along with succession planning at senior managerial level are also integrated in the training plan.

To support these efforts the “Constantia University”, a dynamic and interactive web-based learning management platform was set up.

The platform integrates new learning pathways, utilizing online training opportunities, video-based learning materials as well as virtual training. The Constantia University is also the platform for the ongoing development initiatives such as "Executive Leadership Program" and "Constantia Flexibles Sales Academy". These initiatives aim to train Constantia Flexibles senior and middle managers and sales staff on the Constantia Flexibles Leadership and Sales approach respectively. Moreover, additional development initiatives, "Operational Excellence Center" and "Finance Academy" were added to the training and development modules as well.

On top of the abovementioned initiatives that are managed by Group Organizational and People Development, local training is conducted at the plant level. These include for example language trainings, individual development plans and - among others - regular health and safety, hygiene and technical trainings for employees working in production areas.

The following table shows the most relevant KPIs (Key Performance Indicators) that allows Constantia Flexibles to track the development of training initiatives on a global level:

	<b>Total number of annual training hours</b>	<b>Average annual training hours per FTE</b>	<b>Number of employees trained for min. 1 day</b>	<b>Share of employees trained for min. 1 day</b>
2018	137,999	17.51	5,123	61.56%
2019	146,597	18.52	4,891	58.46%

#### 4.3.2.4.6 Hazardous Working Conditions

<b>Description</b>	<b>Mitigation policies and actions</b>	<b>KPIs</b>	<b>2018</b>	<b>2019</b>
Several manufacturing processes (technology, machinery) and hazardous substances (e.g. solvents, inks) used to produce flexible packaging have the potential to harm peoples health & safety.	Group Policy for HSSE plus annexure "group HSSE Policy" stating its vision of ZERO LOSS-NO HARM  Other underlying group standards for Health & Safety  HSSE-related STI- (short term incentive) bonus targets for proactive measures to be set.	Lost Time Injuries Frequency Rate (LTIFR)	6.6	3.9
		Number of Occupational Diseases	0	1

Several manufacturing processes used to produce flexible packaging within Constantia Flexibles still require the use of hazardous substances, for example solvents in printing inks which are flammable liquids with the potential to harm peoples health and safety and the environment. Although Constantia Flexibles applies best practices in operations and high-tech technology is provided for machinery- and other production equipment, the inherent operational risks related to occupational health and safety is understood to be properly addressed: It is the responsibility of Constantia Flexibles to ensure the successful and sustainable implementation of appropriate measures to address this risk.

"Safety of people at work" could be put at risk by several factors, which potentially could be triggered by non-compliance with procedures, e.g. by not wearing required and provided personal protective equipment (PPE) or not following the trained work-instructions. Thereof, only sufficient and completed instruction-trainings and Safety Walks performed by the local management guarantee appropriate awareness and knowledge

where employees and leased personnel/temporary workers could be exposed to this risk. Constantia Flexibles takes specifically into account the risks at work related to distraction and psychological and physical stress. For example, during 2019 for more than 2,200 people a broad range of counter-measures and tools could have been provided and trained with appropriate behavioral-based trainings and awareness-campaigns, for which main focus was set to operations-personnel on the shop floor.

Thus, based on the group HSSE Policy (Health, Safety, Security and Environment) rolled out in early 2017 the Corporate Risk & Opportunity Management-tool considers H & S-related risks beside other major potentials like undesired weather conditions or even their implications. For any potential harm to people - including all relevant stakeholders - several types of counter-measures to mitigate the described risks got described by applying the guiding principle of eliminating these risks in best case rather than only minimizing them.

Constantia Flexibles works constantly on improvements related to "Working conditions" around the machinery and tools used by reducing the risks attached to workplace ergonomics, e.g. by exposure to solvents and their vapors, facing noise (> 80 dB(A)) or repetitive motion which finally could result in occupational diseases by long-term exposures of work-force. Constantia Flexibles has increased its investments in new machines, additional equipment, improvements of technical building-features already within the last years. However, any case of occupational disease – authorized by competent authorities locally – needs to be reported to the respective group-function, for which the term and the reporting-requirements are clearly set as indicator for determining the effectiveness of implemented measures in the long term. Unfortunately, for Constantia Flexibles globally one case of occupational disease occurred at a production plant was reported for 2019.

At the group-level, Constantia Flexibles compiles several data and figures from all global production sites to investigate potential correlations of the accidents' circumstances and results. These figures – handed in on monthly basis according the scope of reporting to group HSSE by end of 2019, are subsequently summarized, verified and checked. These reports reflect the safety performance per division and the cascaded figures of divisional clusters on monthly basis.

However, beside key learnings from certain Lost Time Injuries or so-called High-Potential incidents occurred, related corrective and preventive measures are shared to mitigate this risk of potential re-occurrence at other similar workplaces in Constantia Flexibles group.

In addition to monitoring, local management teams are tasked with taking on-site measures such as safety meetings and on-site patrols, etc.

Since 2017, when Constantia Flexibles implemented a bonus-system for reaching Health & Safety-related targets to improve its performance in this area, the required involvement concern operational managers and the Executive Committee. These bonuses are indexed on proactive goals and initiatives to highlight the commitment and contribution of the teams in charge. Constantia Flexibles does not wish to set targets based on 'Number of Lost Time Injuries' or the Lost Time Injury Frequency Rate (LTIFR) but rather to work on the causes of accidents. Nevertheless, the overall Safety-performance of the group improved significantly by more than two thirds in terms of LTIFR since Wendel became majority shareholder of Constantia Flexibles.

Several local H & S-initiatives – according the production site's needs – were implemented, which do contribute to Safety for people as well as to the status of working conditions. But for certain Cluster-related plants or even within the whole division "Consumer" specific focus was put on the introduction and implementation of proper near miss-reporting in light of and in combination with the existing continuous improvement process (CIP) during 2019. Learnings from such events are seen as being crucial for avoiding injury to other people and get immediately translated into preventive measures rather than to wait for corrective measures would be required.

Constantia Flexibles collected via a centralized tool the number and kind of initiatives for health and safety. During 2019, the number of such safety-initiatives throughout Constantia Flexibles globally was more than 5 on average per operating plant, where individuals are exposed to the hazards attached to the day-to-day manufacturing of flexible packaging. This perspective of implementing safety features beyond legal requirements highlights again the pursuing efforts of Constantia Flexibles to change for the better.

Although all occupational Health & Safety-related matters basically require several kinds of resources to be spent, for example for trainings, workplace-introductions as well as purchase of additional equipment or machinery-upgrades, the "return on investment" could hardly be directly measured. But several KPIs – and especially as shown below the reduction of the Lost Time Injury Frequency Rate (LTIFR) – reflect the importance of consecutive investments for improvements Constantia Flexibles undertakes worldwide.

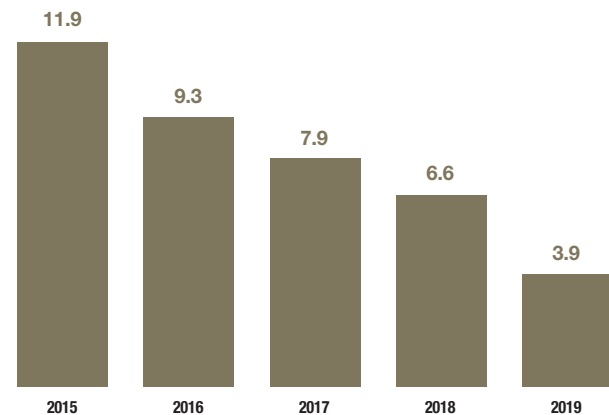
## Constantia Flexibles' Vision for HSSE



We believe in our vision of

**ZERO LOSS - NO HARM**

as key priority!

The Lost Time Injury Frequency Rate  
(per 1 million hours worked)

## Why Constantia Flexibles track the LTIFR

Based on Constantia Flexibles' duty to create and maintain a safe and sustainable work environment for everybody who works with and for this international company, the reporting of Lost Time Injuries (LTI) considers as a matter of course all people exposed to the hazards attached to operations: Thus, the LTIs and LTI-frequency rate represents the number of accidents resulting in at least one full day off-work due to the injuries the person suffered per 1 million hours worked, which includes employees and leased personnel/temporary workers.

## 2019 Performance

Constantia Flexibles understands to monitor this lagging key performance indicator acting as leading figure on the one hand as industry-related standard and on the other hand even as cross-sector benchmark to compare against competitors and customers. But these results based on significant efforts allow Constantia Flexibles to improve its safety performance sustainably and to further enhance its reputation as "preferred employer" for taking care of peoples health & safety.

Occupational health and safety Data	2018	2019
<b>Number of Lost Time Injuries</b>	94	69
Division Consumer	79	55
Division Pharma	15	14
Offices	0	0
<b>Lost Time Injury Frequency Rate (LTIFR)</b>	6.6	3.9
Division Consumer	7.0	3.8
Division Pharma	6.1	5.6
Offices	0.0	0.0

LTIFR = Lost Time Injury Frequency Rate = number of Lost Time Injuries (LTI) per 1 million hours worked.

4.3.2.4.7 Air Pollution

Description	Mitigation policies and actions	KPIs	2018	2019
Constantia Flexibles is aware of the risk of air pollution and the impact of VOC emissions on the environment. These emissions are originated in plants from the usage of solvents.	Sustainability Policy in place Regenerative Thermal Oxidizers installed in several plants	VOC emissions intensity (ton/Mio.m² produced)		
		Consumer division	3.24	3.57
		Pharma division	3.02	3.08

Constantia Flexibles is aware of the risk of air pollution and the impact of VOC emissions on the environment. These emissions are originated in plants from the usage of solvents. With this topic being mainly a compliance topic and as Constantia Flexibles is acting in accordance with applicable laws on VOC emissions, no additional policy is required for this risk. However, Constantia Flexibles updated its environmental policy to a more comprehensive sustainability policy including an annex - covering topics, such as technologies and reducing emissions.

Constantia Flexibles works for a continuous improvement related to these emissions. Some of the approaches are:

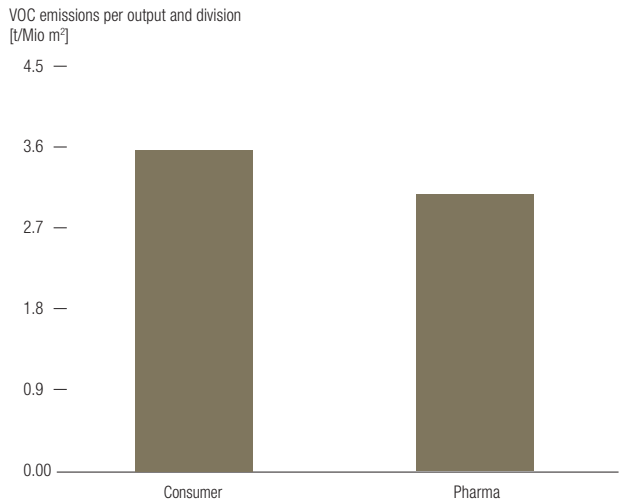
- solvent recovery;
- Regenerative Thermal Oxidizers (RTO); and
- organic solvent-free technologies.

In this context the company has installed RTO facilities in several plants, consequently reducing VOC emissions. In 2019, 17 plants used technologies for the recovery of solvents and/or for the avoidance of solvent emissions (14 plants were using RTOs, 12 plants had the possibility to recover solvents at their facilities).

Constantia Flexibles also aims to decrease the overall solvent consumption, e.g. by investing in new solvent-free printing technologies in several plants. In 2017 Constantia Flexibles has invested nearly €3 million in the implementation of these technologies at its manufacturing site in Wangen, Germany. The old machines are no longer used and solvent use was completely eliminated from 2018 onwards.

The graph below shows the breakdown of VOC emissions per product output and division. Absolute VOC emissions increased by 23%, while VOC emissions per output increased by 10% compared to 2018. This increase can be attributed to the acquisition of 8 additional production plants using solvents.

VOC Emissions per output and division  
[t/Mio m²]



#### 4.3.2.4.8 Permanent innovation in support of Consumer Health and Safety

Description	Mitigation policies and actions	KPIs	2018	2019
<p>Constantia Flexibles transforms this requirement into strong business opportunities by developing new packaging solutions to satisfy the need of (end-)customers' Health &amp; Safety for its direct clients (food and pharma industry).</p> <p>Moreover, according the global trends Constantia Flexibles chose to be innovative for - like Urbanization, Emerging middle class, Health, Premium Products and Sustainability, the company recognizes and realizes a lot of further options to improve sustainable packaging by meeting customer's needs.</p>	Register of regulatory requirements and further internal regulations on Food Safety/Food defense plan (incl. HACCP) and for GMP and hygiene-aspects in production.	<i>To be defined for 2020</i>	<i>Not applicable</i>	<i>Not applicable</i>

Constantia Flexibles believes that the requirements in this field represent a competitive advantage and develops new packaging solutions to satisfy the need of end-customers' health and safety for the company's direct clients (food- and pharma-industry). Constantia Flexibles chose to be innovative to include long term tendencies in its offer - such as Urbanization, Health, Premium Products and Sustainability. Constantia Flexibles recognizes and applies further options to improve sustainable packaging by meeting customer's needs.

In order to mitigate this risk, Constantia Flexibles implemented the following internal procedures and policies:

- register of regulatory requirements and further internal regulations;
- group quality & product safety policy;
- migration & compliance testing;
- food Defense Plan (incl. HACCP);
- certifications and standards (e.g. ISO 9001, FSSC 22000, BRC, etc.).

To ensure consumer health and safety, Constantia Flexibles complies with all food and pharma packaging regulations applicable in the respective jurisdictions in which it has a presence. In the two competence centers of the group, analytical Research & Development experts are supported by state of the art analytics and laboratory tests to investigate the safety and compliance of products and set harmonized requirements and procedures to ensure compliance. In particular, these tests related to the supplementation of chemical-analytical capacity with a focus on food contact laws and regulations (e.g. migration & compliance testing) can be performed in-house or as requested by the respective regulation or by the food-processing customer at accredited laboratories. After final approval (by the customer) and confirmed acceptance tests, these products are manufactured under GMP (Good Manufacturing Practice) and other standards (e.g. BRC/British Retail Consortium) according the respective needs.

Constantia Flexibles also implemented far more detailed global policies and procedures to ensure the appropriate setup and monitoring of local-/plant-related internal processes: Beside certificates for Quality Management (i.e. ISO 9001) available for each manufacturing plant, specific central functions of the group described more further advanced measures in relation to Food Defense. In an systematic approach using HACCP-assessments (hazard analysis and critical control points), Constantia Flexibles preventively manages food safety-aspects from biological, chemical, physical hazards and more recently radiological hazards in production processes which may cause an impact to the end consumers' health and safety via the finished product. The results of these assessments are used to design measures to reduce these risks to a safe level. In this manner, HACCP attempts to avoid hazards proactively rather than attempting to inspect finished products for the effects of those hazards.

All internal obligations were implemented throughout all plants and are regularly monitored as well as internally audited regarding their effectiveness based on an annual internal audit plan.

In 2019, Constantia Flexibles launched its new pharma brand campaign "Let's Save Lives Today", that includes an online brand book and a company video providing useful first aid tips. Constantia Flexibles' clients in the pharmaceutical industry invest considerable resources in developing products to safeguard their customers' health and well-being. Constantia Flexibles works closely with them - as partners - to ensure that product quality is not impaired on the way to the patient - therefore protecting the integrity of the medicine that helps save patients' lives. As proliferation of counterfeit drugs is a growing problem worldwide, Constantia Flexibles is tackling this issue head-on with its "Stop Fake Drugs" public awareness campaign and anti-counterfeiting packaging solutions. Anti-fraud elements such as security graphics, holograms and high-level special effects such as security pigments and inks all produce complex optical markers that are extremely difficult to reproduce. Applied properly, they effectively protect people and brands from irreparable damage.

Constantia Flexibles meets the requirements of creating a balance between child safety and easy of access for seniors by developing a child resistant blister lidding foil. Constantia Child Resistant is available in four different applications: Peel & Push, Peelable, Bend & Tear, and Push Through. All four options provide comprehensive protection against moisture, oxygen, and light. They can be customized to meet country-specific regulations.

Furthermore, with its Constantia Interactive App, Constantia Flexibles offers a unique comprehensive solution for interactive packaging in the food and pharmaceutical industries that opens up a multitude of digital communications and marketing opportunities. Using a smartphone app developed specifically for each brand, the consumer scans the packaging for a variety of identifying features such as image analysis, digital watermark, radio frequency identification (RFID) tags, and the like which then appear in augmented reality. The unique character of Constantia Interactive is in its combination of digitally readable packaging material with a digital platform for data management and a smartphone app customizable to a wide range of customer needs. The digital features span from purely informative, such as instructions for use, through videos and games, to contests that can be individually selected by the customer. For medical packaging, the app offers patients direct access to additional information about pharmaceutical products at any time, making it safer to take medication. A chat bot allows patients to submit questions. In combination with a digital anti-counterfeiting identification, Constantia Interactive is also an effective means of identifying counterfeit products. More information about this newly developed app can be found on <http://interactive.cflex.com>.

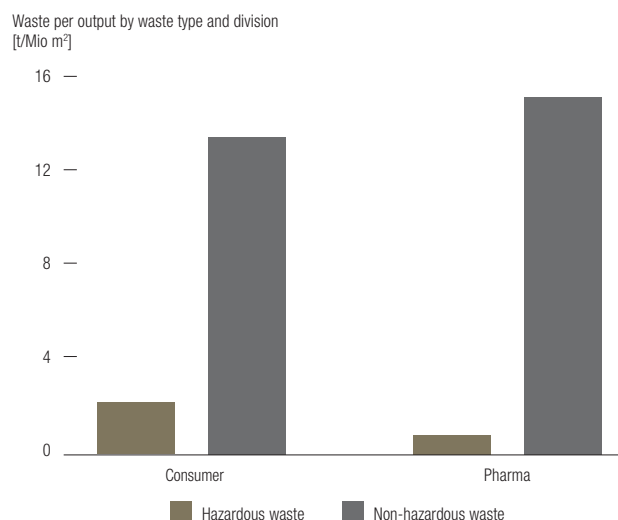
Beside the stringent fulfilment of regulatory and preventive obligations, Constantia Flexibles has a sizeable number of patents and patent applications, illustrating its strong competitive technological status to ensure and protect consumer health and safety.

#### 4.3.2.4.9. Additional environmental indicators not related to main risks (voluntary)

##### Waste management

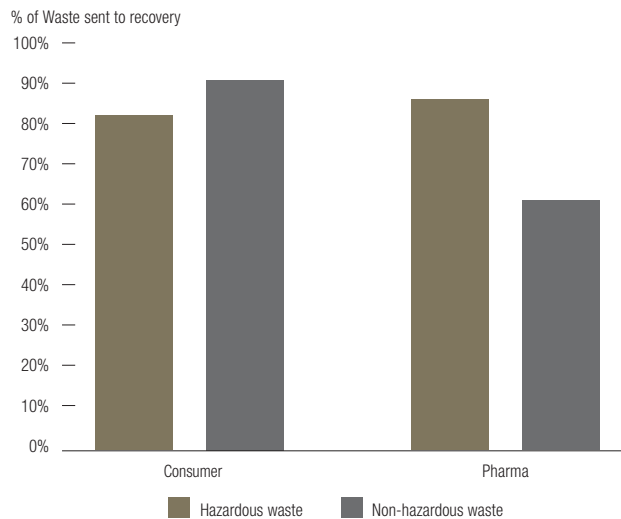
Constantia Flexibles continuously monitors the achievement of implemented waste targets with waste management plans on plant level. The total amount of waste at Constantia Flexibles' sites was 68,513t in 2019, which is a 5% increase compared to 2018. The graphic below shows Constantia Flexibles' waste accrual by division and category per output in 2019.

##### Waste per output by waste type and division



In 2019, Constantia Flexibles sent 83% of the hazardous waste and 87% of the non-hazardous waste to recovery (recycling, composting and incineration with energy recovery). Compared to the previous year the recovery rates remained stable - in 2018 82% of the hazardous waste and 88% of the non-hazardous waste was sent to recovery. The chart below shows the breakdown of waste sent to recovery by waste type and division.

### Waste sent to recovery [%]



#### 4.3.2.5 Vigilance plan

##### 4.3.2.5.1 Risk mapping

In line with the requirements of the French law n° 2017-399 on March 27, 2017, Constantia Flexibles group has included in its vigilance approach the risks of serious violations with regard to the following topics:

- Human Rights and Fundamental freedoms;
- harm to the health and safety of people (covering Constantia Flexibles' personnel and end-consumers);
- harm to the environment.

In order to perform proper risk-assessments on these topics a specific workgroup was established consisting of representatives from the following departments on group level of Constantia Flexibles: Human Resources, Sustainability, HSSE (Health, Safety, Security & Environment) and Procurement. This team got supported as well by group Controlling and the Compliance Officer of Constantia Flexibles group.

Beside the fact, that Constantia Flexibles performs twice a year a risk run to identify new risks as well as to review listed risks and opportunities with a bottom-up approach (from the operating plants to the group level), the risk map for this vigilance plan is based on the group's core activity represented as "Manufacturing of flexible packaging".

##### Risks related to Constantia Flexibles' own operations

The detailed identification, analysis and assessment of risks was built up on the related countries where Constantia Flexibles operates their own production facilities. These countries are

related to the region "EU-countries", where 18 of all Constantia Flexibles' production-units are located whereas the group operates another 21 plants in countries outside the European Union like Russian Federation (1), Turkey (1), Vietnam (1), India (9), South Africa (6), the United States (2) and Mexico (1) (the pure country-ratings derived from published information of ILO, etc.)

##### Risks to the health and safety of individuals (employees and sub-contractors on site, consumers, residents)

Constantia Flexibles understands the health and safety of people, who work with and for it, as well as the protection of its end-consumers' health and safety as an essential and integrated part of its daily business and success. Therefore, the risks of "occupational injuries and fatalities", "occupational toxics and hazards" were aggregated to the same level like the potential of "industrial (major) accidents" for all locations.

Moreover, Constantia Flexibles ensures the provision of flexible packaging according customers' specifications and regulatory requirements from the food- and pharmaceutical sector. This aspect in terms of "Consumer health and safety" was recognized and mapped as an opportunity (competitive advantage) for which a range of counter measures is already effectively implemented by Constantia Flexibles. Additional business-opportunities for Constantia Flexibles are long-term trends like urbanization, emerging middle class, demand for products that are not harmful to health, premium products and sustainability.

##### Risks related to the environment

Constantia Flexibles identified the risk of "Climate Change" and "Air pollution" as main risks, beside dealing with the topics and related risks of other environmental issues.

Direct and indirect Greenhouse Gas (GHG) emissions are generated by production processes consuming electricity, gas, fuels, steam and hot water, as well as by upstream and downstream value chain activities, such as purchased goods and services and fuel- and energy-related activities.

Among other tasks relating to corporate sustainability, Constantia Flexibles collects and monitors key data on its internal performance throughout the group. Constantia Flexibles accounts the corporate Scope 1 and 2 emissions with a professional software tool which supports the data collection and emission calculation. The application of this software tool ensures structured and transparent data collection for all production sites located in countries around the world. Constantia Flexibles measures and reports the emissions according the internationally recognized Greenhouse Gas Protocol and is verified by an external consultant for its Scope 1, Scope 2 and Scope 3 calculation methodology. To promote opportunities for reduction of emissions, Constantia Flexibles has set company-wide spanning Greenhouse Gas (GHG) emission reduction goals (see section 4.3.2.5.2 "Regular assessment procedures and mitigation measures").

Constantia Flexibles is aware of the risk of air pollution and the impact of VOC emissions on the environment. These emissions are originated in plants from the usage of solvents. In this context the company has installed Regenerative Thermal Oxidizers (RTO) in several plants and aims to decrease the overall solvent consumption (see chapter 2 – Regular assessment procedures and mitigation measures).

During the risk-assessment to fulfil the requirements for the Duty of Care-framework it was as well identified that the potential risk categories of Raw materials/Resource depletion, Water scarcity and Land/ecosystem/biodiversity destruction can be considered as very low.

#### **Risks related to human rights and fundamental freedoms**

Constantia Flexibles, being a manufacturer of flexible packaging by operating in 22 countries worldwide, clearly commits to the compliance with internationally recognized human rights. The categories in which Constantia Flexibles assessed the related residual risks like:

- non respect of freedom of association and collective bargaining (incl. the right to join and form unions and to strike);
- non respect of international labor standards on migrant workers; and
- non respect of data privacy.

These topics were clearly identified as salient due to the company's multi-country business. Following the group's organization, countries at risk on the above risks are mainly all beyond the borders of the European Union.

Constantia Flexibles recognizes and respects its employees' right to freedom of assembly, as well as their right to elect their representatives freely and independently.

Furthermore, Constantia Flexibles has a zero-tolerance approach to modern slavery which includes various forms like slavery, servitude, forced and compulsory labor and human trafficking, all of which are identified to deprive a person's liberty by another in order to exploit them for personal or commercial gain.

Due to this specific risk in several countries, the group is committed to acting ethically and with integrity in all its business dealings and relationships by implementing and enforcing effective systems and controls to eliminate potential breaches in its supply chain.

Constantia Flexibles complies with the rules established by the United Nations on human and children's rights as well as commits to offering employment that is free of any form of harassment and bullying. No form of violence or harassment, is tolerated.

#### **Risks related to Constantia Flexibles' purchasing**

Constantia Flexibles conducted the identification of risks related to its supply chain for the scope of purchase categories in several stages.

The first stage involved collecting and centralizing key data for each major category of purchases made by group Procurement. The mapping includes the four major categories of procuring goods within Constantia Flexibles, which are "Aluminum", "Film", "Chemicals" and "Paper". Each category represents the amount of goods bought as a share of spending, namely aluminum (about 1/3), films (about 1/3), chemicals (about 1/5) and paper (less than 10%).

The second stage of the mapping process involved ranking the CSR risks – split again into main parts named "Human rights and fundamental freedoms", "health and safety" and "Environment" – and linking and assessing the respective risk to each of the countries from where the suppliers produce the required goods and raw materials.

For this assessment, several internationally recognized and independent data-sources were used like Human Rights Watch ([www.hrw.org](http://www.hrw.org)), the International Labor Organization ([www.ilo.org](http://www.ilo.org)), the Environmental Performance Index provided by the collaboration of Yale and Columbia University (<https://epi.yale.edu>).

Steered by group Procurement, Constantia Flexibles monitors the main suppliers of raw materials on their extra-financial performance by standardized forms. As part of supplier-selection a self-evaluation form to be filled by the potential supplier addresses core topics related to environmental, social and ethical risks that may arise from their manufacturing and is based on the Code of Conduct of Constantia Flexibles. Further supplier audits performed by Constantia Flexibles at the supplier production-facility follow a standardized set of questions to ensure the adherence to the required standard.

#### **4.3.2.5.2 Regular assessment procedures and mitigation measures**

##### **Risks related to Constantia Flexibles' own operations**

Constantia Flexibles implemented group wide its Risk and Opportunity Framework with the related policy and setup in 2017. This framework with a bottom-up approach ensures the consistent reporting of risks and opportunities from the plant-level (including each manufacturing unit) by using a group wide-standardized risk-catalogue. On group level, the data of the assessed risks are compiled twice a year to the group risk map by the Group Risk Controller.

Then the process requires, that the reported data needs to be reviewed by the respective group functions, prior to their integration in the group Risk Map.

Therefore, this process considers certain risks which need to be dealt with by the group departments Human Resources, Sustainability/Environment and Health and Safety. Core business-risks from all operating sites (plants) globally will also be collected, assessed and reviewed.

The analysis of those risks consider appropriate mitigation measures and their potential effects at current stage and subsequently describe the level of residual risk.

Constantia Flexibles creates ownership by naming risk-owners, which are those who are responsible for implementing the specified mitigation actions. This includes respective risk-ownership on group as well as on plant-level.

Constantia Flexibles holds a "Risk Committee" meeting and also a "Safety Committee" The "Audit Committee"-(meeting as part of the Supervisory Board), examines all the aspects of Internal Audit covering financial processes, statutory audits, etc. The social risks or degradation of Human Rights (working hours, data privacy, labor conditions, etc.), Health and Safety (accident reports, sick-leave/workers compensation), Environment (waste management, potential areas of pollution, etc.) are also handled by the Audit Committee. Constantia Flexibles experts from other group functions are consulted each time, as necessary.

**Risks to the health and safety of individuals (employees and sub-contractors on site, consumers, residents)**

Mainly derived from the "List of Main Risks" which can be applied here.

Constantia Flexibles puts Safety as first priority especially at the manufacturing sites, where people who work for and with Constantia Flexibles are exposed to the hazards attached to its operations. Therefore, with regard to the protection of individuals Constantia Flexibles does not distinguish prevention and rules for workplace-safety into the people's contracts (employees, leased personnel/temporary workers, contractors). Moreover, the constant development of creating and maintaining safe and sustainable working conditions are supported by:

- group Standards like group HSSE Policy and underlying HSSE-Standards applicable for all subsidiaries;
- group Reporting process for accidents including standardized templates;
- defined group Terms & Definitions which underpin the need of common understanding and set of performance-figures throughout all countries where Constantia Flexibles operates, regardless the individual, national requirements;
- minimum set of HSSE-related topics integrated into site-visits/-audits performed by HSSE and Group Internal Audit.

For all Constantia Flexibles group standards set as group wide procedures an internal Document Control System provides the latest version on the Constantia Flexibles Intranet-pages. Beside this data-base, ongoing trainings have to be attended online by all management-functions about core business-policies, for example the Code of Conduct.

Further group departments such as Operations Development as part of the Global Operations-department ensure the constant implementation of technical improvements considering technical safety beside efficiency and operational excellence (for example, in the field of fire protection).

**Risks related to the environment**

Constantia Flexibles has a comprehensive sustainability policy in place, which includes an annex that details actions and measures implemented to work on the company's commitments and core targets. Furthermore, the Code of Conduct and Code of Conduct for Suppliers include clauses on environment and responsible sourcing, reflecting and outlining the importance of sustainability in the company's written principles to internal and external stakeholders.

To promote opportunities for a reduction of emissions, Constantia Flexibles has set a company-wide spanning goal of a 40% reduction in Greenhouse Gas (GHG) emissions by 2023 (Scope 1 and 2 emissions per square meter produced, setting 2005 as reference year). Furthermore, in 2017 Constantia Flexibles developed a group-wide absolute emissions reduction target, which was approved by the Science Based Targets initiative in 2018. Constantia Flexibles commits to reduce absolute Scope 1, 2 and 3 Greenhouse Gas (GHG) emissions 24% by 2030 and 49% by 2050 from a 2015 base-year.

As more than half of the Scope 1 and 2 emissions are occurring as a result of electricity consumption (Scope 2), Constantia Flexibles is in close contact with its electricity suppliers with the aim to increase the share of purchased electricity coming from renewable resources. To mitigate the risk of "Air Pollution", Constantia Flexibles has installed Regenerative Thermal Oxidizers (RTO) in several plants, consequently reducing the VOC emissions. Moreover, Constantia Flexibles also aims to decrease the overall solvent consumption in several plants by investing in new solvent-free printing technologies.

In addition to the assessment of direct and indirect emissions occurring due to the activities of the Constantia Flexibles group, the indirect emissions caused by processes up-and downstream of the supply chain (Scope 3 emissions) are evaluated. Purchased goods used to manufacture Constantia Flexibles' products represent the most important element of Scope 3 emissions of the company. Constantia Flexibles therefore sees collaboration throughout the value chain (i.e. in order to implement responsible sourcing certifications) as an important component of a comprehensive approach to sustainability.

Constantia Flexibles is thus a founding member of initiatives such as the "Aluminium Stewardship Initiative" (ASI), which works towards responsible production, sourcing and stewardship of aluminum, following a comprehensive value chain approach. Constantia Teich as the biggest production plant within the group and located in Austria, has become the first aluminum foil roller and packaging converter and the first European company to be certified according to ASI's Performance Standard for environmental, social and governance performance. ASI Certification of the Constantia Teich facility signifies that Constantia Flexibles' practices meet the industry's highest standards.

Constantia Flexibles is also a founding member of CEFLEX (A Circular Economy for Flexible Packaging). As part of this project, Constantia Flexibles intensively works on further enhancing the performance of flexible packaging in the circular economy. CEFLEX is the collaborative project of a European consortium of companies and associations representing the entire value chain of flexible packaging. Project goals set for 2020 and 2025 include the development of robust design guidelines for both flexible packaging and the infrastructure to collect, sort and recycle them.

As an additional mitigation action, Constantia Flexibles joined the New Plastics Economy (NPEC), an ambitious initiative led by the Ellen MacArthur Foundation, which brings together key stakeholders to rethink and redesign the future of plastics. Constantia Flexibles is an active member participating in several pioneer projects, which gives the opportunity to accelerate the fulfilment of market- and customer needs. As part of the New Plastics Economy "Global Commitment", Constantia Flexibles pledges that 100% of its packaging will be recyclable by 2025.

#### **Risks related to human rights and fundamental freedoms**

The biggest part of risk-categories relates to this chapter and could impact people working with and for Constantia Flexibles at all organizational levels and in all countries where the group operates in their manufacturing sites.

The sub-categories for which the country-related risks were assessed are built up as follows:

- 1 forced labor;
- 2 child labor;
- 3 non respect of freedom of association and collective bargaining (incl. the right to join and form unions and to strike);

- 4 non equal opportunities and discrimination;
- 5 non respect of indigenous population rights;
- 6 non respect of international labor standards on migrant workers;
- 7 risk of withholding identification documents;
- 8 non respect of data privacy;
- 9 excessive working hours;
- 10 unfair wages;
- 11 inadequate social benefits and social security;
- 12 harassment and abuse/disciplinary practices.

Due to established regulations and deployed standards, all countries belonging to the European Union could be rated less high for their inherent risks of above stated topics.

The final assessment then reflecting the analysis at the company level resulted in a higher risk in the categories of 3, 6 and 8 compared to the risk of risks as listed above.

Nevertheless, Constantia Flexibles implemented group wide - which means globally throughout all subsidiary companies - internal standards and built up specific reporting lines of key performance indicators, which are compiled at group level.

As one of the key documents, the Code of Conduct covers most of the topics within the whole group. However, during the assessments performed for the Duty of Care framework, the potential of further improvements with regard to the minimum standards about excessive working hours, and unequal salaries.

#### **Risks related to Constantia Flexibles' purchasing (includes chapter 3.2.)**

For fulfilling the Duty of Care-requirements and for describing the several kinds of assessment procedures, Constantia Flexibles identified following implemented fields of activities and procedures. All purchase categories were summarized to be classified commonly as "industrial manufacturing" (B2B only):

- the potential risks related to "Human Rights and Fundamental freedoms", "Health and Safety" as well as "Environment" are effectively covered by the binding CSR-related purchasing charter named "Code of Conduct for Suppliers", for which Constantia Flexibles requires all suppliers to adhere to in principle;
- integration of mandatory minimum requirements of CSR-terms and conditions included in the contracts and purchase orders;
- furthermore, group procurement performs supplier-audits at their production-sites and request them to fill a self-assessment form named "preaudit questionnaire".

#### 4.3.2.5.3 Alert mechanism

In the year 2008 Constantia Flexibles implemented a whistleblower hotline. It is outsourced to a dedicated service provider which deals as first point of contact for all incoming e-mails and calls. The law service provider is held to strict confidentiality obligations and able to answer in most languages spoken within the Constantia Flexibles group and its affiliates worldwide. Every alert is then forwarded (depending on the whistleblower's request) Constantia Flexibles' compliance team.

This system in place aims to encourage employees and leased personnel/temporary workers to report any concerns regarding unethical behavior or any human rights violations or environmental damage.

Covering as well the French law "Sapin II" on corruption and anti-bribery aspects, Constantia Flexibles provides a description of this whistleblowing system made available through the intranet. Especially via the "Code of Conduct for Suppliers" Constantia Flexibles ensures this information to be forwarded to their employees and other contractors.

#### 4.3.2.5.4. Monitoring system of implemented measures and assessment of their effectiveness

Constantia Flexibles implemented several systems and standardized their monitoring throughout all operating facilities.

Trainings and awareness-raising campaigns were identified by Constantia Flexibles as useful tools. For example, with regard to the document seen as a basement for the "Duty of Care" framework, which is the Code of Conduct, Constantia Flexibles provides annual web-based trainings about the requirements including a (anonymous) test which needs to be passed with at least 80% correct answers to finish successfully the online-training session.

For ensuring the effectiveness of Constantia Flexibles Duty of Care-framework, especially group functions introduced specific measures:

- group Procurement conducts supplier audits on site based on defined criteria and performs recurring internal risk-assessments on the defined purchase-categories Aluminum, chemicals, films, etc.;
- the group Sustainability-team collects and monitors all key environmental indicators for Constantia Flexibles and tracks the performance throughout the group;
- the group wide consolidation platform used as database provides and includes consistency checks and requests to upload evidence documents for reported data from the operating units;
- the department group Human Resources as well as other disciplines like HSSE (health and safety) benefit from the participation of several operating units in SEDEX, which is one of the world's largest collaborative platforms for sharing responsible sourcing data on supply chains, used by more than 50,000 members in over 150 countries. Third-party auditing

companies perform so-called SMETA (Sedex Members Ethical Trade Audit) at the production-sites on behalf of SEDEX, which are set up as 4 pillar audits covering Labor Standards, health and safety, Business Ethics and the Environment;

- the department group HSSE (health and safety) implements group standards to fulfil the targeted management system based on the Constantia Flexibles vision of ZERO LOSS - NO HARM. Moreover, the group wide KPIs-set to be monitored on monthly basis include as well the opportunity of sharing lessons learned via events (accidents like Lost Time Injuries (LTI)), detailed audits on site and cross-checks with observations and findings identified by the department Group Internal Audit on site. This department provides an internal self-assessment matrix which needs to be filled by the operating units and performs frequent site-visits as part of the activities for ensuring internal compliance to the standards of Constantia Flexibles, which is the Code of Conduct and its elements considering human rights, health and safety and environmental aspects.

Auditing against the required standards performed by independent parties ensures for Constantia Flexibles to close the cycle and constantly learn. These audits performed for SEDEX, necessary for obtaining any certificate based on ISO-standards or for other customer-related packaging-requirements like BRC (British Retail Consortium) give Constantia Flexibles the opportunity to continuously improve globally while ensuring the reliability of its Duty of Care.

#### 4.3.2.6 Reporting scope & methodology

The reporting scope considers all legal entities including 36 production sites in 16 countries and several office-based locations (e.g. Headquarters, Sales-offices, Holding locations) worldwide which were part of the Constantia Flexibles group in 2019.

Correspondingly, all legal entities and office-locations of the Constantia Flexibles group (in 22 countries) were considered for the Human Resources-related data and information, whereas following exclusions apply:

- latest acquired subsidiaries like "Creative Polypack" group with its 8 production facilities in India are fully covered by all disciplines' data for the whole year 2019;
- whereas "Constantia TT" in Russia and the newly built production-facility named "Parikh Flexibles" in India are only partly covered in terms of available data related to their later reporting-starting point during the year. Constantia TT is not included in Human Resources related data, as there was no data coverage of the full year 2019;
- the scope of environmental reporting includes 36 production-facilities in 16 countries (office-locations are not considered);
- for H&S-related reporting, major office locations like headquarters of Constantia Flexibles as well as all three offices of "Constantia Business Services" (located in Austria, Germany and Poland) are fully considered beside all production-sites;

- one production-facility from Afripack group (South Africa) had to be (partly) excluded compared to 2018 due to its closure end of April 2019; only HSSE-related data (incidents, hours worked) got considered for the annual safety-performance report.

## Social

### Employment

The employee hire rate is calculated by counting the number of hires (Headcount) during the reporting period, divided by the number of employees (Headcount) at the end of the reporting period, multiplied by 100.

The employee turnover rate is calculated by counting employees (Headcount) who left the group during the year in reference to the number of employees (Headcount) employed at the end of the year, multiplied by 100.

### Health and Safety

LTIFR is measured by calculating the number of Lost Time Injuries (LTI) resulting in at least one full day lost per 1 million hours worked (combined for own employees and leased personnel/temporary workers).

## Environment

### Energy

The following energy sources are included in the total energy consumption: Natural gas, LPG, diesel, heating oil, petrol, other fuels, electricity, steam and hot water. Fossil fuel consumption is expressed in MWh Lower Heating Value (LHV).

In 2019, 17 plants used technologies for the recovery of solvents and/or for the avoidance of solvent emissions (14 plants were using RTOs, 12 plants had the possibility to recover solvents at their facilities). Energy recovery (where applicable) from these RTOs is not included in the energy calculations.

### Scopes 1, 2 and 3

The CO<sub>2</sub> emissions' calculation is based on Scope 1, Scope 2 and Scope 3 as defined by the Greenhouse Gas Protocol Initiative

(Corporate Value Chain Accounting and Reporting Standard). The standard provides requirements and guidance for companies and other organizations to prepare and publicly report a Greenhouse Gas (GHG)-emissions inventory.

## VOC Emissions

The evaluation of VOC Emissions is based on the French *Guide d'élaboration d'un plan de gestion des solvants* - Révision no. 1 and is calculated as follows:

- VOC total emissions: I1 (solvents consumption) - O5 (eliminated/bound solvents) - O6 (solvents in collected waste) - O7 (solvents in products sold) - O8 (recovered and sold solvents).

In 2019, 17 plants used technologies for the recovery of solvents and/or for the avoidance of solvent emissions (14 plants were using RTOs, 12 plants had the possibility to recover solvents at their facilities).

## Waste generation and disposal methods

The data on waste generation were defined according to GRI (Global Reporting Initiative) and collected in a mass unit:

- hazardous waste: hazardous waste as defined by national legislation at the point of generation;
- non-hazardous waste: all other forms of solid or liquid waste that are not considered as hazardous waste by national legislation at point of generation. Wastewater discharged into sewers is not included;
- waste sent to recovery: waste which was handed over to an external contractor who has ensured that the waste was recycled, composted or incinerated with energy recovery.

## Recyclability of product portfolio

Recyclability of product portfolio is calculated using the following formula: Recyclability of product portfolio (%) = Recyclable output [m<sup>2</sup>]/ sold output [m<sup>2</sup>].

### 4.3.3 Cromology

#### 4.3.3.1 Cromology business model

Cromology is a European decorative paints company with a direct presence in 9 mainly European countries. Cromology designs and manufactures decorative paints for professionals and consumers.

With nearly 3,300 staff, 7 research laboratories, 10 manufacturing sites and 9 logistics platforms, 390 integrated points of sale and over 8,500 partner points of sale (independent retailers and major DIY stores), Cromology records net sales of €668 million.

**Mission:** To protect and sustainably improve living spaces by elevating the technical and aesthetic know-how of Cromology customers, to contribute to the well-being of all.

**Outlook:** Thanks to a premium customer experience, high quality products, Cromology's ambition is to develop its presence in the decorative painting sector, particularly in Europe, while taking care to minimize its environmental footprint.

**Strategy:** two growth drivers:

- organic growth, across all relevant distribution channels in each country, both physical and digital;
- growth through the acquisition of paint manufacturers and distributors in Southern Europe and neighboring countries.

# cromology

## 2019 REVENUE

€667.8m



### MISSION

To protect and sustainably improve living spaces by elevating the technical and aesthetic know-how of our customers, to contribute to the well-being of all



### VALUES

Safety  
Excellence  
Respect  
Customer satisfaction  
Imagination  
Collective spirit  
Simplicity

## ENVIRONMENTAL PERFORMANCE



60%

of plastic packaging purchased in France are recycled plastics



80%

of sales with water-based products



60%

of sales on products developed during the last 3 years have been realised with eco-friendly products



## SHAREHOLDER GOVERNANCE

SHAREHOLDING : WENDEL 100%

6 members

1 independant member

1 woman  
since January 2020

## HUMAN CAPITAL

3,300

employees in over 9 countries,

- 69% in France,
- 22% in Southern Europe,
- 9% other countries

## CERTIFICATIONS / MANAGEMENT SYSTEMS

100%

of industrial sites are OHSAS 18 001 certified

RESOURCES

## PURCHASES



Raw materials and packaging



Trade products (painting tools and equipment, floor coverings)

## PRODUCTION & LOGISTICS

10 production sites



9 logistics centers

## SALES AND MARKETING

Portfolio of recognized brands - Leading BtoB brands in their respective countries: **Tollens (FR), Max Meyer (IT), Robbialac (POR)**, etc.

## PRODUCTS

- Interior paints
- Exterior paints
- Technical paints
- External thermal insulation

## CUSTOMERS / END USERS

- Prescribers : architects
- Professional painters
- Consumers
- Public/private builders

USE OF RESOURCES

OUTPUT

## KEY

Key partners

External resources

Internal resources

Sales flows (Cromology-manufactured products)



## OPERATIONAL GOVERNANCE

MANAGEMENT TEAM

**9 members**   **11% women**
**77%**

 of industrial and  
logistics sites are  
ISO 14 001 certified
INTELLECTUAL  
CAPITAL
 **16.5h**

 of training  
per employee

## R &amp; D


**100**

 R&D engineers  
and technicians

**7**

research laboratories

 › 23% of sales generated from products developed  
in the last 3 years

 Private certification laboratories  
issuing eco-labels

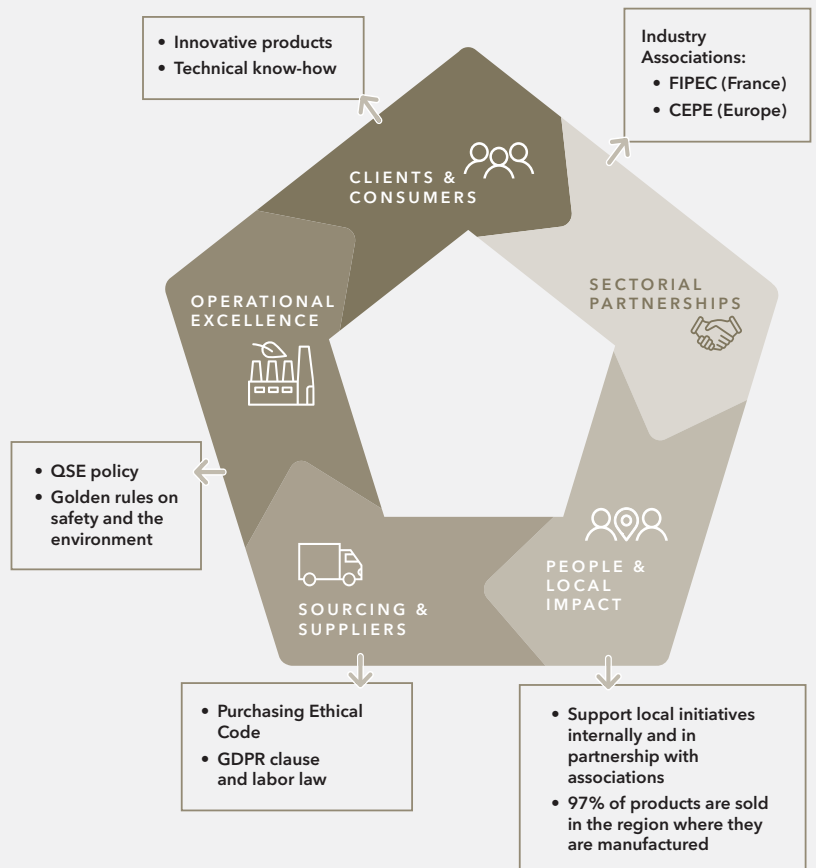
 Private university laboratories  
> Detection of emerging  
technologies

 › INTEGRATED  
DISTRIBUTION

**390** integrated stores › 60% of sales

 E-commerce platforms for the group's  
brands

## Value creation for external stakeholders



### 4.3.3.2 Commitments for a responsible enterprise

#### 4.3.3.2.1 General policy

Cromology's ambition is to combine economic performance and responsible commitment. This approach, launched in 2010, is based on 7 axes:

- supporting customers in their sustainable development efforts;
- innovating and offering products and services that are more respectful of the environment and users;
- optimizing the use of resources in products and processes;
- limiting the impact on the environment;
- strengthening the environmental management system;
- acting for and with employees;
- strengthening its presence in the local community.

To achieve this, Cromology draws on 7 values<sup>(1)</sup> defined in 2014 to guide its action. These guide the initiatives, decisions, choices and day-to-day conduct of Cromology's people. These values are:

- safety first;
- excellence;
- universal respect;
- customer satisfaction;
- imagination;
- collective spirit;
- simplicity.

#### 4.3.3.2.2 Management's commitment

"Cromology's mission is to protect and sustainably improve living spaces.

On a daily basis, Cromology's teams help their customers, professionals and consumers, to implement their technical and aesthetic know-how to improve the comfort and well-being of the inhabitants while prolonging the life of their property.

This conviction means that, as a developer, manufacturer and distributor of decorative paints, Cromology is conscious of its responsibility to all of its stakeholders (internal and external).

Cromology's commitment to sustainable development is in step with our aim to combine long-term economic performance with:

- the safety and development of its employees and sub-contractors;
- nature preservation; and
- dialogue with the community.

Cromology also conducts voluntary research and development aimed at offering more environmentally friendly products that go above and beyond the regulatory framework.

For example, in 2019, 60% of revenue from new products was generated from eco-certified products. As part of product innovation Cromology systematically considers whether to eco-certify its new paints or make new products to meet or anticipate the needs of customers in a given country, as was the case with its pollution-removing interior paint in Southern Europe.

Cromology also affirms its commitment as a corporate citizen mindful of the impact of the work done in its research laboratories, manufacturing sites and logistics platforms by seeking industry certifications. All of its industrial facilities are certified OHSAS 18001 (occupational health and safety) while 70% are certified ISO 9001 (quality) and 77% ISO 14001 (the environment). More broadly, Cromology aims to obtain triple quality, health and safety and environmental certification for all its activities. It achieved this in France in 2018 with the triple certification of all of its manufacturing activities, including support functions (procurement, technical assistance, accounting, finance and human resources).

Responsible development is something we experience a little more every day, and I am convinced that by respecting Cromology's CSR commitments in each of our business lines, we are making a positive contribution to the entire ecosystem we inhabit."

**Loïc Derrien**

**CEO of Cromology**

(1) A detailed definition of each of Cromology's values is available at <http://www.cromology.com/qui-sommes-nous/nos-valeurs>.

#### 4.3.3.2.3 CSR Governance

In 2015, Cromology formed a CSR Steering Committee. It is composed of the Heads of the Supply Chain, R&D, HR, Legal, QSE and Communications departments. It defines and manages the group's CSR strategy.

In addition to this centralized CSR effort, each Cromology subsidiary develops its own long-term approach, with CSR managers.

This local connection ensures that the commitments made are relevant and that they are quickly adopted and implemented by all teams.

#### 4.3.3.2.4 EFPD Methodology

Internal stakeholders from the Safety, Industrial Procurement, Internal Audit, Legal and Human Resources teams were asked to identify the policies already in place at Cromology to anticipate and reduce the risks identified, together with the indicators used to monitor the performance of these policies.

The CSR Steering Committee met four times in 2019 to update the list of risks. A strategic reflection on Human Resources and talent management led the Committee to change the risks identified in this respect: the two risks identified in 2018 (related to "staff absenteeism" and "quality of service and business performance") are now included in the risks "related to the lack of employee engagement".

The 12 key risks identified, validated by the group's Executive Management, are:

- risks related to the lack of employee engagement;
- risks linked to Personal Safety;
- risks linked to security of industrial process and marketing at points of sale;
- risks associated with water and soil pollution or with the contamination of water and soil by restricted substances;
- environmental and health and safety risks associated with the release into the air of restricted substances (VOCs) or carcinogenic substances;
- risks associated with the hazardous waste generated by the activity;
- suppliers' environmental and health and safety risks;
- risks associated with the transportation of hazardous products;
- raw materials regulatory risk;
- risks associated with products not being in line with market needs;
- risks associated with the handling of personal data;
- risks related to corruption.

Given the nature of its activities (industrial paints), Cromology considers that "the fight against food insecurity, respect for animal welfare, responsible, fair and sustainable food and the fight against food wastage" do not constitute a main CSR risk and thus do not need to be developed in this management report.

## 4.3.3.2.5 Overview of Cromology's risks, policies and extra-financial indicators

CSR topics	Extra-financial Risks	Risk description	Mitigation policies and actions	KPIs.	Related paragraph
<b>HEALTH AND SAFETY</b> (Wendel historical priority)	Risks linked to Personal Safety.	Risks within Cromology's sites relating to the health of employees or subcontracted employees, and to the reception of the public at points of sale.	Group QSE policy signed by the CEO and preventive actions.  Golden rules safety and environment.	Frequency rate of accidents with days lost (LTIFR).  Frequency rate of accidents of all work-related accidents.  Severity rate of accidents.	4.3.3.5.2
	Risks linked to security of industrial process and marketing at points of sale.	Risk of an accident occurring on a production or logistics site or at a point of sale, such as a fire or an explosion.	Implementation of measures to anticipate and reduce risk described in particular in the QSE policy, as well as a crisis unit to plan for help in the event of an incident.  Establishment of an internal operations plan (IOP).	Deployment of the 5S method in points of sale (%).  Insurance audits performed (%).  % of industrial sites with OHSAS 18001 certification.	4.3.3.5.3
<b>ESG PERFORMANCE OF PRODUCTS AND SERVICES</b> (Wendel historical priority)	Risks related to regulatory changes in relation to raw materials.	Regulatory risk associated with raw materials, leading to the prohibition of a raw material or restriction of the use thereof, or to the taking of increased protective measures. The potential impact is economic.	Regulatory watch.	Number of raw materials involved.  Volume of raw materials involved.	4.3.3.8.1
	Risks associated with products not being in line with market needs.	Among those long-term trends noted by Cromology, consumer demand for products which are ever more environmentally-friendly has been identified for several years now.  In this context, constant innovation is necessary to ensure the launch on the market of a range of paints with ever-improving environmental impact profiles.	Regulatory monitoring and innovation	Percentage of revenue generated by products launched within the last three years.  Share of recycled plastic in plastic packaging purchased by Cromology in France.  Share of revenue from eco-certified products launched within the last three years (out of total revenue from products launched within the last three years).  Share of revenue generated by eco-certified products in total sales.  Share of revenue generated by water-based products in total sales.	4.3.3.8.2

CSR topics	Extra-financial Risks	Risk description	Mitigation policies and actions	KPIs.	Related paragraph
ENVIRONMENTAL	Risks associated with water and soil pollution or with the contamination of water and soil by restricted substances.	Risk related to the volume of effluent released into water or soil pollution, a risk related to an accidental spill or a risk of non-compliance with local regulations in force.	Regular assessment of waste is carried out. It is reinforced for those sites with waste values above the regulatory thresholds, and an action plan is formalized for these sites.	% of ISO 14001-certified industrial and logistics sites. Total Suspended Solids (TSS) (metric tons). Chemical Oxygen Demand (COD) (metric tons).	4.3.3.6.2
	Environmental and health and safety risks associated with the release into the air of restricted substances (VOCs) or carcinogenic substances.	Emissions of certain substances liable to harm human health (via inhalation) or fauna and biodiversity.	Member of the European Industrial Association of Paint Manufacturers CEPE, Cromology participates in the working group on biocide users.  Risk control actions (wearing personal protective equipment, collective protection).	Intensity of Volatile Organic Compounds emitted per kilo metric ton of production (T/kT). CO <sub>2</sub> emissions - Scope 1 (metric tons CO <sub>2</sub> -eq). CO <sub>2</sub> emissions - Scope 2 (metric tons CO <sub>2</sub> -eq). CO <sub>2</sub> emission ratio - Scope 1 (metric tons CO <sub>2</sub> -eq/kT produced). CO <sub>2</sub> emission ratio - Scope 1+2 (metric tons CO <sub>2</sub> -eq/kT produced). NOx emissions (metric tons). SOx emissions (metric tons).	4.3.3.6.3
	Risks associated with the hazardous waste generated by the activity.	Management of hazardous waste generated by production sites and distribution networks that is potentially harmful or dangerous to human health and the environment.	ISO 14001 Certification, Hazardous Waste Management System, Participation in Eco-DDS through an eco-tax.	Waste produced (% of production volumes). Hazardous waste produced (% of production volumes). Ratio of DDS eco-tax paid each year per metric ton declared (€/T) <sup>(3)</sup> .	4.3.3.6.4
	Risks related to the lack of employee engagement.	The level of employee engagement is key to the development of the business.	Actions for employee engagement (compensation, training).	Absenteeism rate in calendar days (AR1) (%). Absenteeism rate in days worked (AR2) (%). Share of departures at employee initiative (%).	4.3.3.4.2
COMPLIANCE	Risks associated with employee corruption (Sapin 2 law).	The potential impact would be sanctions in the event of non-compliance and a negative impact on Cromology's reputation.	Implementation of a global system aimed at developing a culture of compliance and to support employees in understanding the rules, identifying risk situations and defining appropriate conduct (Anti-Corruption charter, Training, Coaching).	<i>Indicator to be defined in 2020.</i>	4.3.3.10
	Risks associated with the handling of personal data.	Risks related to the GDPR regulations for the protection of personal data. The potential impact would be sanctions in the event of non-compliance and a negative impact on Cromology's reputation.	GDPR Committee, Classification of data collected according to the GDPR standard, Data processing register, Precautionary measures (IT charter, Communication, Contracts).	<i>Indicator to be defined in 2020.</i>	4.3.3.9

CSR topics	Extra-financial Risks	Risk description	Mitigation policies and actions	KPIs.	Related paragraph
SUPPLY CHAIN	Suppliers' environmental and health and safety risks.	The potential impact for Cromology concerns experiencing interruptions to supplies if any supplier production site is impacted and, therefore, to see its own production capacity impacted.	Formalization of a requirement through the signature of a Responsible Purchasing charter by the main suppliers, and a Purchasing Ethics charter by the employees of the purchasing department. Definition of an annual Purchasing progress plan.	Percentage of Purchasing employees who have signed the Purchasing Ethics charter (%). Share of Raw Materials Purchasing volume covered by suppliers who have signed the Responsible Purchasing charter. Share of Packaging Purchasing volume covered by suppliers who have signed the Responsible Purchasing charter. Percentage of trading contracts containing a clause on compliance with GDPR and labor law (%).	4.3.3.7.1
	Risks associated with the transportation of hazardous products.	Risk of non-compliance, and environmental risk. The potential impacts include the interruption of business or a criminal law risk in the event of non-compliance further to a check on the transport sub-contractors.	Compliance with ADR regulations, annual reports by the safety adviser, checks during loading by transporters.	Percentage of Cromology personnel trained in ADR among those to be trained (%).	4.3.3.7.2

### 4.3.3.3 Human resources

#### 4.3.3.4.1 Organization

Human resource management is decentralized at Cromology. The HR department in each subsidiary coordinates HR policy, which is implemented locally in every country where the group has a sales and/or industrial presence.

Cromology's HR Director promotes collaborative work by driving the community of HR Directors to facilitate the adoption of best practices.

Given France's share in the group, the HR Directors for France report directly to the Group HR Director, with weekly meetings to exchange information and manage cross-functional projects.

Cromology's HR department defines, disseminates and checks key HR processes such as recruitment and annual appraisals, and ensures that they are applied.

Salary increases and variable compensation paid to the 100 or so top managers at Cromology are proposed and examined for approval each year, following a centralized procedure. The 100 most important positions in the group are benchmarked using a

job factor evaluation system, and their compensation is compared to each local market.

The HR department in each subsidiary or business unit also assumes the following responsibilities:

- support and apply Cromology's commitment to safety and ensure that its organization functions in a way that reflects the Cromology culture and values;
- facilitate the development of each individual in an organization to promote the taking of initiatives and responsibility;
- ensure that all of the human resources processes defined by the Group HR department (for example, the annual appraisal interview, or "HR1") and the procedure for salary evaluations and increases are applied at all levels of the company hierarchy;
- implement measures to increase employee involvement and training plans suited to the subsidiary's growth strategy;
- promote and implement compensation policies that are consistent with benchmarks in the markets in which the subsidiary operates;
- prevent all forms of discrimination and ensure compliance with and enforcement of labor laws.

#### 4.3.3.4.2 Risks related to lack of engagement by Cromology employees

Risk description	Mitigation policies and actions	KPIs	2018	2019
The level of employee engagement is key to the development of the business.	Actions for employee engagement (compensation, training)	Absenteeism rate in calendar days (AR1) (%)	3.9%	4.45%
		Absenteeism rate in days worked (AR2) (%)	NA <sup>(1)</sup>	4.90%
		Share of departures at employee initiative (%)	71.19%	45.8%

(1) Data unavailable for 2018, this is a new indicator for 2019.

##### Risk description

This risk is identified on employees, Cromology's primary capital. They enable it to provide the best possible quality of service to customers on a daily basis. Their level of engagement is key to the development of the business.

##### Risk reduction policy and action plans

The Human Resources department implements measures aimed at increasing employee engagement, ensuring their consistency with Cromology's growth strategy:

- variable compensation systems for the sales functions of the integrated networks: sedentary (point-of-sale teams), itinerant (ATC) and their management;
- compensation levels in line with the labor market;
- training plans.

##### Key performance indicators

- The absenteeism rate in calendar days (AR1) is 4.45%; the absenteeism rate in days worked (AR2) is 4.90%.
- Share of departures at employee initiative (resignations, retirements) was 45.8% in 2019.

Although the absenteeism rate in calendar days (AR1) increased from 3.9% (2018) to 4.45% (2019), the share of departures at employee initiative decreased significantly from 71.19% in 2018 to 45.8% in 2019.

#### 4.3.3.4.3 Other employee-related information (voluntary measure)

##### Demographics

In 2019, the number of Cromology employees fell by 9%, mainly due to the need to lower structural costs and improve

competitiveness. This decrease is due to the implementation of a procedure for authorizing hiring at the company and the implementation of two restructuring plans, one in France and the other in Italy.

Cromology's scope remained identical between 2018 and 2019.

##### Hiring, training and professional development

In 2019, Cromology hired 362 new employees on permanent contracts of which 89 employees had their fixed-term contracts transformed into permanent contracts.

Each subsidiary develops its training policy locally, based on the development needs of the Company and its staff.

Cromology regularly trains its employees to help them build their skills and employability. Although undergoing restructuring, Cromology continued its training efforts. In 2019, 84% of the group's employees took part in at least one training session, against 73% in 2018. The average number of training hours per employee was 16.5 hours.

##### Remuneration

In 2019, personnel costs decreased in comparison with 2018 due to the fall in employee numbers. Personnel costs represented 25.8% of Cromology's revenue. They represented 27.7% in 2018.

##### Freedom of association

In accordance with local regulations, Cromology allows employees unrestricted access to their representative, consultative and labor-management bodies in all of the group's subsidiaries.

## Summary of human resources indicators (voluntary)

Indicators	2018	2019 <sup>(1)</sup>
<b>Training</b>		
Number of employees having completed at least one training program	2,661	2,785
% of employees having completed at least one training program	73%	84%
Average number of training hours per employee	15.5	12.3
External training costs as a % of payroll	0.83%	0.57%

(1) Training: As of 2019, the training indicators take into account Health & Safety training. The 2018 data presented in this table do not take these training courses into account.

Indicators	2018	2019
<b>Demographics</b>		
Group workforce	3,647	3,319
of which permanent contracts	3,504	3,205
of which permanent contracts (as a %)	96.1%	96.5%
of which fixed-term contracts	143	114
of which fixed-term contracts (as a %)	3.9%	3.4%
of whom women	1,085	969
of whom women (as a %)	29.8%	29.2%
of whom men	2,562	2,350
of whom men (as a %)	70.2%	70.8%
New hires in the group <sup>(1)</sup>	542	362
of whom women	184	105
of whom women (as a %)	33.9%	29.0%
Departures from the group <sup>(2)</sup>	614	648
of whom women	174	196
of whom women (as a %)	28.3%	30.2%
<b>Breakdown of staff by geographic region</b>		
France (including Belgium and Luxembourg)	68.7%	68.8%
Southern Europe (Spain, Italy, Portugal)	22.5%	22.5%
Other countries (Morocco, Switzerland)	8.9%	8.7%
Personnel expense as a % of sales	27.7%	25.8%

(1) Permanent contract + fixed-term contracts converted into permanent contracts + internal transfers + acquisitions.

(2) Permanent contracts only.

#### 4.3.3.5 Health and safety

##### 4.3.3.5.1 Organization

On a group level, Health and Safety policy is managed by the QHSE department to ensure standardization of procedures, the sharing of best practices, and the monitoring of changes in regulations in different countries. It has been designed in the context of the continuous improvements process linked to the

OHSAS 18001 standard under which all industrial sites are certified. The policy has been implemented in all entities, led by the QSE coordinator of each country, or by each QSE site manager in France.

##### 4.3.3.5.2 Risks linked to personal safety

Risk description	Mitigation policies and actions	KPIs	2018	2019
Risks within Cromology's sites relating to the health of employees or subcontracted employees, and to the reception of the public at points of sale	Group QSE policy signed by the CEO and preventive actions	Frequency rate of accidents with days lost (LTIFR)	5.93	6.24
	Golden rules safety and environment	Frequency rate of accidents of all work-related accidents	7.52	8.27
		Severity rate of accidents	0.28	0.34

##### Description of risks

These are risks occurring on Cromology sites:

- in relation to the health of employees or of sub-contractors' employees, connected to accidents in the context of their work (manual handling, driving, vans, etc.) on a group site (factory, point of sale, office);
- in relation to the health of employees connected to the handling of or exposure to hazardous chemicals, including all regulated Raw Materials (CMR, SVHC, Harmful, Toxic, etc.); and
- in relation connected to contact with the public at points of sale.

The potential impact of these risks is two-fold:

- financial, via the direct and indirect commercial cost generated by a workplace accident;
- reputational, via the negative publicity that would be circulated to stakeholders by the poor management of Employee Health and Safety.

##### Risk reduction policy and action plans

**For its employees,** Cromology's core value is "safety first" and it has introduced a QSE policy signed off by the CEO which sets out the commitments made by Cromology and its subsidiaries.

Preventative actions include:

- safety and environment *Golden Rules* which employees must adopt from the initial interview with his or her manager during the on-boarding process. The *Golden Rules* have been established in response to feedback. They cover those situations which are the

most common and aim to provide better control over the risks of its business activities as producer and distributor. They are shared across all of the group's activities;

- training in safety and posture and movements, which is provided to each employee as part of the on-boarding process;
- regular awareness-raising activities provided daily (for example, warm-up exercises on production and logistics sites), weekly (safety news, safety update), monthly (during the monthly launch in the distribution networks) and annual (audits in the context of the ISO 9001, ISO 14001 and OHSAS 18001 certifications and World Day for Safety and Health at Work);
- a system for the escalation of dangerous situations/near-accidents and improvements so that safety and the working environment can be managed on a day-to-day basis;
- mandatory in-house training on health and safety at work;
- monthly self-assessment procedures for drivers;
- the introduction of collective and individual protection for employees.

Cromology has points of sale and show-rooms; and It takes great care to comply with the standards applicable in the countries in which it operates relating to premises open to the public. For example, in France, Cromology is fully compliant with the safety and accessibility regulations defined by France's Construction and Housing Code (CCH) and applies the fundamental safety principles applicable to facilities open to the public (ERP).

#### 4.3.3.5.3 Risks linked to the safety of the manufacturing process and operations at points of sale

Risk description	Mitigation policies and actions	KPIs	2018	2019
Risk of an accident occurring at a production or logistics site or at a point of sale, such as a fire or an explosion	Implementation of measures to anticipate and reduce risk described in particular in the QSE policy, as well as a crisis unit to plan the response in the event of an incident  Establishment of an internal operations plan (IOP)	Deployment of the 5S method in points of sale (%)	N/A <sup>(1)</sup>	97%
		Insurance audits performed (%)	NA <sup>(1)</sup>	100%
		% of industrial sites with OHSAS 18001 certification	100%	100%

(1) Data unavailable for 2018, this is a new indicator for 2019.

##### Description of risks

This type of risk refers to any accident that may occur on a production or logistics site or at a point of sale, such as a fire or an explosion.

The potential impact of the event can be broken down into four areas:

- health, safety: impact on personnel and/or local residents;
- safety procedures: fire, explosions caused by accidental spills;
- environment: repercussions relating to health (pollution) and/or impact on ecosystems (flora and fauna);
- economic: shutdown of activity on the site in question.

##### Risk reduction policy and action plans

Cromology has implemented measures to anticipate and reduce risk described in particular in its QSE policy, as well as a crisis unit to plan for help in the event of an incident.

With regard to prevention, Cromology provides:

- its employees with information on health and safety issues. Each year, "fire prevention"-type training sessions are provided in some entities;
- all production sites are equipped with appropriate static safety systems (sprinklers<sup>(1)</sup>, FHCs<sup>(2)</sup> etc. as appropriate);
- accidental spillages (LOPCs) are reported to analyze them and take appropriate corrective measures;
- it sets up a monitoring system of its industrial and commercial facilities by an authorized external service provider enabling Cromology to keep its equipment compliant with all regulations and in working order (just one minor fire in a store in 2018, caused by an electrical fault, none in 2019);

- the implementation in France, on all production and logistic sites and in all head offices, of an organization to ensure that employees are evacuated in the event of a fire, by training employees are "fire marshalls" and "fire assistants";
- an updated Internal Operations Plan (IOP) for most of the group's industrial sites, even if Cromology does not have any "SEVESO" listed facilities. In France, this IOP is drawn up in cooperation with the regional fire department and local emergency services (SDIS).

#### 4.3.3.5.4 Key performance indicators

Indicators for monitoring health and safety risk are:

- Frequency rate of accidents with days lost, Frequency rate of all work-related accidents, severity rate, number of accidents with or without lost work time;
- Number of safety inspections, number of reports on the escalation of dangerous situations and near accidents issued;
- Percentage of audits conducted relating to the roll-out of the 5S method, designed to improve the working environment;
- Number of insurance audits conducted;
- Number of LOPCs (accidental spills);
- OHSAS 18001 site certification.

##### Monitoring results

The number of accidents in the workplace resulting in lost time in 2019 was slightly down on 2018 (40 accidents with lost time in 2019, 41 in 2018) and, with a reduction in the number of hours worked (7%), resulting in an increase in the frequency rate from 5.9 in 2018 to 6.27 in 2019. The accidents recorded are mainly connected to manual handling within the distribution networks and on the industrial and logistics site. The higher employee turnover recorded within the distribution networks has also contributed to this increase.

(1) Automatic sprinkler system.

(2) Fine horse cabinet.

Similarly, the degree of seriousness of the accidents reported increased from 0.28 in 2018 to 0.34 in 2019.

In 2018, Cromology obtained triple ISO 9001 (quality), ISO 14001 (environment) and OHSAS 18001 (health and safety) certification for all of its industrial and logistics sites in France in order to improve its performance.

In 2019, in France, the 5S method was rolled out to 97% of points of sale. Safety audits are conducted every month. Moreover, since 2018 teams at points of sale have been issued with new ergonomic tools to assist handling (e.g. scissor lifts). Almost half of points of sale have been supplied with these.

## Summary of Personal Safety Indicators

Risk	Indicators	2018	2019
Risks linked to Personal Safety	Number of work injuries with at least one day of lost time	41	40
	Number of work injuries without lost time	11	13
	Frequency rate of accidents with days lost (LTIFR)	5.93	6.24
	Frequency rate of accidents of all work-related accidents	7.52	8.27
	Severity Rate	0.28	0.34
Risks linked to security of industrial process and marketing at points of sale	Deployment of the 5S method in points of sales (%)	NA <sup>(1)</sup>	97%
	Insurance audits conducted	NA <sup>(1)</sup>	100%
	% of industrial sites with OHSAS 18001 certification	100%	100%

*Frequency rate of accidents with days lost: number of lost-time injuries per million hours worked among employees with permanent or fixed-term contracts, temporary staff and subcontractors.*

*Frequency rate of all work-related accidents: number of injuries with or without lost time per million hours worked among employees with permanent or fixed-term contracts, temporary staff and subcontractors.*

*Severity rate: (number of days of working time lost x 1,000)/number of hours worked among employees on permanent or fixed-term contracts, temporary staff and subcontractors.*

*Deployment of the 5S strategy: Percentage of 5S method deployment audits conducted. Number of 5S method deployment audits completed/Total number of points of sale in the Tollens and Zolpan networks.*

*Insurance audits conducted: percentage of insurance audits conducted (completed) compared with the insurance audits to be conducted.*

*(1) Data unavailable for 2018, this is a new indicator for 2019.*

### 4.3.3.6 Environment

#### 4.3.3.6.1 Environmental approach and organisation

The industrial activities of Cromology consist mainly in the formulation and manufacture of paint, which have a moderate direct impact on the environment.

Nevertheless, respect for the environment forms a key part of Cromology's culture.

The company has introduced an environmental strategy, led by the QHSE department and promoted by each local QSE manager and/or by country QSE coordinators, based on three key areas:

- strengthening the environmental management system;

- optimizing the use of resources;

- reducing the environmental impact.

Cromology spends more than 10% of its investments on this each year.

Within the scope of its industrial activities (production sites and logistics sites) in Italy, Spain, Portugal and France, Cromology has been awarded ISO 14001 certification which enables improved control of VOC emission risks via regulatory monitoring, the implementation of an environmental management plan and the validation of the processes to be applied in the event of an incident. This represented over 92% of its net sales and 77% of its industrial and logistics sites in 2019 (50% in 2017).

#### 4.3.3.6.2 Risks associated with water and soil pollution or with the contamination of water and soil by restricted substances

Risk description	Mitigation policies and actions	KPIs	2018	2019
Risk related to the volume of effluent released into water or soil pollution, a risk related to an accidental spill or a risk of non-compliance with local regulations in force.	Regular monitoring of waste is carried out. It is reinforced for those sites with waste values above the regulatory thresholds, and an action plan is formalized for these sites.	% of ISO 14001-certified industrial and logistics sites	70%	77%
		Total Suspended Solids (TSS) (metric tons)	32.66	26.41
		Chemical Oxygen Demand (COD) (metric tons)	38.58	53.33

##### Description of risks

This relates to the risk linked to the volume of effluent released into water or soil pollution, a risk linked to an accidental spill or a risk of non-compliance with local regulations in force.

The potential impact is:

- environmental: damaging impact on the environment over the mid- or long-term;
- economic: leads to the interruption of operations on the site responsible or to an increase in operating costs;
- penalties from the administrative and regulatory authorities via the payment of fines for failure to comply with the regulations in force and the cost of bringing facilities into line with regulations and of environmental decontamination;
- reputational: negative publicity to stakeholders.

##### Risk reduction policy and action plans

Cromology's manufacturing activity involves producing paints, 80% of which are water-based. On average, water makes up between 45 and 60% of the components of a paint. The aim is to recycle as much as possible of the water used in the cleaning process, taking as an example the Wormhout plant, which re-uses 100% of all water in production.

At the industrial sites, regular checks on waste products are carried out in order to ensure compliance with the legislation in force. Any sites which record levels of waste products in excess of regulatory thresholds are then subject to regular and more stringent checks (checks on pollutant concentration levels or monitoring of waste water volumes, etc.) and an action plan is then defined in agreement with the competent authorities.

#### 4.3.3.6.3 Environmental and health and safety risks associated with the release into the air of restricted substances (VOCs<sup>(1)</sup> or carcinogenic substances)

Risk description	Mitigation policies and actions	KPIs	2018	2019
Emissions of certain substances liable to harm human health (via inhalation) or fauna and biodiversity	Member of the European Industrial Association of Paint Manufacturers CEPE, Cromology is in its working group on biocide users  Risk control actions (wearing personal protective equipment, collective protection)	Intensity of Volatile Organic Compounds emitted per kilo metric ton of production (T/kT) (T/kT) <sup>(1)</sup>	0.62	0.67
		CO <sub>2</sub> emissions - Scope 1 (metric tons CO <sub>2</sub> -eq)	4,741.9 <sup>(2)</sup>	3,338.99
		CO <sub>2</sub> emissions, Scope 2 (metric tons CO <sub>2</sub> -eq)	NA <sup>(3)</sup>	4,749.48
		CO <sub>2</sub> emission ratio - Scope 1 (metric tons CO <sub>2</sub> -eq/kT produced)	20.37	15.13
		CO <sub>2</sub> emission ratio - Scope 1+2 (metric tons CO <sub>2</sub> -eq/kT produced)	NA <sup>(3)</sup>	36.67
		NOx emissions (metric tons)	4.15	3.70
		SOx emissions (metric tons)	0.35	0.31

(1) Emissions from Volatile Organic Compounds: The emissions recognized are those from industrial processes. Emissions from energy consumption are no longer recognized from 2019 (under 0.2% of the VOC weight in 2018).

(2) Data adjusted retroactively.

(3) In 2018, only Scope 1 was calculated.

(1) Volatile organic compounds.

Description of risks

This risk relates to emissions of certain substances liable to harm human health (via inhalation) or fauna and biodiversity.

This could result in air pollution in employees’ working environment on site and, more widely, in the environment surrounding the site. This type of risk may also generate an increase in operating costs via the implementation of technical solutions in order to reduce these emissions.

As Cromology mainly manufactures water-based products and uses industrial processes which do not involve solvents, the risk of any VOC emissions is restricted to only those sites which are producing solvent-based paints (i.e. 6 out of the 10 sites). The main VOC emissions risk arises during handling of solvent-based paints in stores and on the site of the production of these same products.

Risk reduction policy and action plans

Cromology is a member of the European Council of the Paint, Printing Ink and Artists’ Colors Industry (CEPE) and regularly

attends the Technical Regulations Committee which monitors all regulations affecting its sector (VOC, CLP, CMR, REACH, etc.). Cromology is also on the working group on biocide users. This enables it to receive advance notice of any legislation and how it should be interpreted. At least two regulatory meetings are held each year to share changes in regulation and ensure all countries in which Cromology operates are aligned.

Moreover, strict compliance with the obligation to wear personal protective equipment is a Golden Rule in terms of health and safety. In addition, collective protective equipment such as extractors has been installed to limit employees’ exposure and to avoid any accidental release into the air.

VOC emissions are also monitored across all of the sites and, more specifically, those that emit VOC emitters, in order to verify compliance with all limits imposed by regulation.

4.3.3.6.4 Risks associated with the hazardous waste generated by the activity

Risk description	Mitigation policies and actions	KPIs	2018	2019
Management of hazardous waste generated by production sites and distribution networks that is potentially harmful or dangerous to human health and the environment	ISO 14001 Certification, Hazardous Waste Management System, Participation in Eco-DDS through an eco-tax	Waste produced (% of production volumes) <sup>(1)</sup>	5.4%	5.5%
		Hazardous waste produced (% of production volumes) <sup>(1)</sup>	0.9%	1%
		Ratio of DDS eco-tax paid each year per metric ton declared (€/T) <sup>(2)</sup>	37.8	45.1

(1) Product waste: the scope recognized was expanded between 2018 and 2019.  
(2) 2019 data accounts for 90% of the scope recognized to date. (Zolpan network data unavailable to date). 2018 data covers 100% of the scope.

Description of risks

This risk concerns the management of the hazardous waste (solvents, paint residue, packaging used for chemical raw materials, etc.) produced by the production sites (90% of the scope) and by the distribution networks. Hazardous waste is considered to contain variable quantities of substances that are harmful or dangerous to human health and to the environment. Cromology complies with Directive (EU) 2018/851 of the European Parliament and of the Council of May 30, 2018 amending Directive 2008/98/EC on waste.

For Cromology, this is a question of ensuring compliance with the waste management regulations applicable in the countries in which it operates. The potential impact is reputational and financial.

Risk reduction policy and action plans

The management of hazardous and non-hazardous industrial waste is included within the ISO 14001 certification which covers 77% of Cromology’s production sites. This standard guarantees the traceability and correct handling of chemical waste in the context of the procedures that it lays down.

Concerning distribution networks in France, a system for the collection of hazardous waste has been set up with a specialist external service provider.

Concerning hazardous waste, this also concerns the management by integrated distribution networks of the recovery and processing of any waste generated by professional and individual customers.

In France (65% of the scope), Cromology complies with regulations on the management of site waste and is also compliant with the principle of Extended Producer Responsibility, as part of a channel organized since 2013, so as to put into practice its commitment to recovering used products marketed to individuals. Cromology is one of the founder members of Eco-DDS, a not-for-profit organization whose mission is to encourage the sorting, collection, and processing of certain waste chemicals from individuals. Each year, Cromology contributes to the joint efforts being made by Eco-DDS member companies by paying a green levy to cover the cost of the collection and processing of specific waste streams (SWS) generated by households.

In 2019, almost 41,000 metric tons of DDS<sup>(1)</sup> were declared with almost €45.10 paid per metric ton in eco-taxes.

Cromology also complies with regulations on graphic paper and pays an annual contribution to the environmental organization, CITEO. In 2019, 77 metric tons of waste were declared and €70 per metric ton was paid in eco-taxes (2018, 103 metric tons with €73.6 per metric ton).

#### 4.3.3.6.5 Key performance indicators

##### Monitoring results

Cromology has continued its certification efforts by obtaining triple ISO 9001, ISO 14001 and OHSAS 18001 certification for all of the Cromology Research and Industry sites in France, demonstrating its volition to improve the control of its risks in terms of health and safety and the environment. The scope of the percentage of sites certified has therefore been modified in order to take into account all of the group's logistics centers.

In 2019, Cromology saw production fall by 3.5% with a total of 220 t in 2019 compared to 212 t in 2018.

The taking into consideration of the purification coefficient for the local treatment stations (in accordance with the reporting protocol) to which Cromology sends its waste water provides a new reading of chemical oxygen demand (COD) and the solid particles rate. On a like-for-like basis, a marked increase can be seen in COD levels in waste water leaving the plant. The increase was the result of several parameters:

- a reduction in the volume of waste water produced thanks to purification plant optimization but which leads to a greater concentration of pollutants in the water;
- the introduction of extra cleaning cycles for production tools in Italy and Morocco;
- an increase in the volume of production of certain hard-to-clean products.

Cromology monitors and assesses the waste produced by its production activities and by its production networks. The total volume of non-hazardous waste increased slightly in 2019 (1%) compared with 2018, as did the intensity compared to production volume (increase of 1.85%). This variation is due to increases in production (notably in Spain) and an increase in the waste volumes at the Resana site in Italy, the main producer of non-hazardous waste.

The increase in hazardous waste (+15%) is mainly due to the destruction of obsolete products and an increase in production volumes. Between 2018 and 2019, energy consumption (gas, electricity and fuel) fell by 15% (168 TJ in 2019 compared with 197 in 2018) through actions such as, for example, the use of LED lighting and insulation work at some points of sale.

Reductions in CO<sub>2</sub> (scope 1) (-29%), NO<sub>x</sub> (-11%) and SO<sub>x</sub> (-11%) are linked to seasonality, and reduced consumption related to works.

(1) 2019 data accounts for 90% of the scope recognized to date. (Zolpan network data unavailable to date). 2018 data covers 100% of the scope.

## Summary of environmental indicators

Risk	Indicators	2018 data	2019 Data
Risks associated with water and soil pollution or with the contamination of water and soil by restricted substances	% of ISO 14001-certified industrial and logistics sites	70%	77%
	Total Suspended Solids (TSS) (metric tons)	32.66	26.41
	Chemical Oxygen Demand (COD) (metric tons)	38.58	53.33
Risks associated with the hazardous waste generated by the activity	Waste produced (% of production volumes) <sup>(1)</sup>	5.4%	5.5%
	Hazardous waste produced (% of production volumes) <sup>(1)</sup>	0.9%	1%
	Ratio of DDS eco-tax paid each year per metric ton declared (€/T) <sup>(2)</sup>	37.8	45.1
	Intensity of Volatile Organic Compounds emitted per kilo metric ton of production (T/kT) <sup>(3)</sup>	0.62	0.67
	CO <sub>2</sub> emissions - Scope 1 (metric tons CO <sub>2</sub> -eq)	4,741.9 <sup>(4)</sup>	3,338.99
Environmental and health and safety risks associated with the release into the air of restricted substances (VOCs) or carcinogenic substances	CO <sub>2</sub> emissions - Scope 2 (metric tons CO <sub>2</sub> -eq)	NA <sup>(5)</sup>	4,749.48
	CO <sub>2</sub> emission ratio - Scope 1 (metric tons CO <sub>2</sub> -eq/kT produced)	20.37	15.13
	CO <sub>2</sub> emission ratio - Scope 1+2 (metric tons CO <sub>2</sub> -eq/kT produced)	NA <sup>(5)</sup>	36.67
	NOx emissions (metric tons)	4.15	3.70
	SOx emissions (metric tons)	0.35	0.31

(1) Product waste: the scope recognized was expanded between 2018 and 2019.

(2) 2019 data accounts for 90% of the scope recognized to date. (Zolpan network data unavailable to date). 2018 data covers 100% of the scope.

(3) Emissions from Volatile Organic Compounds: The emissions recognized are those from industrial processes. Emissions from energy consumption are no longer recognized from 2019 (under 0.2% of the VOC weight in 2018).

(4) Data adjusted retroactively.

(5) In 2018, only Scope 1 was calculated (gas and domestic heating oil consumption).

#### 4.3.3.6.6 Other employee-related information (voluntary measure)

In 2019, water consumption was slightly down (-0.01%). In 2019, the monitoring of leaks at the various entities was improved.

#### Adaptation to the consequences of climate change

The business is not directly impacted by the consequences of climate change and, therefore, Cromology has considered that this did not constitute a key CSR risk and did not need to be discussed in detail within this management report.

#### Estimate of significant sources of Greenhouse Gas Emissions

In accordance with Decree 2016-1138 of August 19, 2016, in application of the energy transition for environmental growth law, Cromology conducted a study to determine its principal sources of greenhouse gas emissions.

The methodology applied is described in the industry guide for performing a greenhouse gas emissions assessment published by the French chemical industry union (UIC) in May 2015. This guide is based on the *Technical Guidance for Calculating Scope 3 Emissions* of the Greenhouse Gas Protocol.

To conduct this study, Cromology drew on the carbon assessments of its Tollens and Zolpan subsidiaries, carried out in 2014 and 2010, respectively. To obtain the emissions factor data, particularly for the paint production portion, Cromology contacted its suppliers with regard to the most relevant raw materials. By default, the Ademe "carbon database" was used.

The 2016 study shows that the significant sources of greenhouse gas emissions are generated:

- 80% from purchases of raw materials, packaging, and services;
- 12% from downstream transport, from logistics centers to points of sale or directly to clients;
- 3% from upstream transport, from production plants to logistics centers.

"Purchases" includes all greenhouse gas emissions from extraction to distribution of raw materials to the product manufacturing facilities.

An energy audit is planned for 2020 across France's distribution network.

## Summary of other environmental indicators (voluntary)

Indicators	2018 Data	2019 Data
Water consumption (m³)	155,358	155,340
Water consumption intensity		
by kT of production (m³/kT)		704.2
by kT of products shipped (m³/kT)		437.67
Energy consumption (TJ)	197.9	168.58
Energy consumption intensity		
by kT of production (TJ/kT)		0.76
by kT of products shipped (TJ/kT)		0.47
by points of sale (TJ/point of sale)		0.42

## 4.3.3.7 Supply chain

## 4.3.3.7.1 Suppliers' environmental and health and safety risks

Risk description	Mitigation policies and actions	KPIs	2018	2019
The potential impact for Cromology concerns experiencing interruptions to supplies if any supplier production site is impacted and, therefore, to see its own production capacity impacted	Formalization of a requirement through the signature of a Responsible Purchasing charter by the main suppliers, and a Purchasing Ethics charter by the employees of the purchasing department	Percentage of Purchasing employees who have signed the Ethical Procurement charter (%)	NA <sup>(1)</sup>	100%
		Share of Raw Materials Purchasing volume covered by suppliers who have signed the Responsible Purchasing charter	NA <sup>(1)</sup>	80.5%
	Definition of an annual Purchasing progress plan	Share of Packaging Purchasing volume covered by suppliers who have signed the Responsible Purchasing charter	NA <sup>(1)</sup>	89%
		Percentage of trading contracts containing a clause on compliance with GDPR and labor law (%)	NA <sup>(1)</sup>	81%

(1) Data unavailable for 2018, this is a new indicator for 2019.

## Description of risks

This relates to supplier risk concerning CSR in the areas of the environment, health and safety. The three main categories of purchases Cromology sources from its partners are raw materials, packaging and trade products (tools and equipment for painters, floor coverings and wall coverings).

The potential impact for Cromology concerns experiencing interruptions to supplies if any supplier production site is impacted with an impact on Cromology's production capacity.

## Risk reduction policy and action plans

■ Via centralized purchasing, Cromology places emphasis on working with suppliers of raw materials and packaging which have manufacturing sites in Europe and which are compliant with ISO standards in terms of quality, the environment, and safety. Therefore, around 80% of total purchases (by value) of raw materials and packaging is purchased mainly from suppliers manufacturing in Europe and meeting European requirements in terms of health and safety and the environment. For each component, insofar as possible, Cromology uses dual sourcing to secure supply in the event of a breakdown in the supply chain of one of its suppliers;

- Cromology has formalized the CSR standards it expects from its suppliers and employees. This has taken the form of:
  - a Responsible Purchasing charter signed by the biggest suppliers of raw materials and packaging,
  - the formalization of an Ethical Purchasing charter signed by employees of the purchasing department in France. This Code helps to communicate Cromology's standards to any employees working directly with suppliers;
- moreover, over 80% of purchase agreements for trade products contain a GDPR clause and labor law.

In addition, for all of its suppliers, Cromology is able to carry out system and process audits in order to ensure that manufacturing conditions meet best manufacturing practice standards in terms of hygiene and health and safety and are compliant with all environmental standards in force and with the quality standards required. As such, in 2019, Cromology conducted a site audit of a major supplier. The results of the audit showed that the supplier's process, quality system and CSR factors were properly managed by the supplier.

In parallel, the Purchasing department produces an annual progress plan. The progress plan lists the objectives and indicators linked to operational excellence, quality, CSR and environmental aspects that are to be carried out for following year. In 2019, the CSR objectives were the formalization of the Responsible Purchasing charter and the deployment thereof among major suppliers. The objectives linked to the environmental impact are concentrated on thinking about and incorporating recycled components in paint formulas.

#### Key performance indicators

The monitoring indicators are:

- percentage of purchasing employees in the group's Purchasing department having signed the Ethical Purchasing charter: 100% of employees have signed the Procurement charter in France;
- share of Raw Materials Purchasing volume covered by suppliers who have signed the Responsible Purchasing charter: 80.5%;
- share of Packaging Purchasing volume covered by suppliers who have signed the Responsible Purchasing charter: 89%;
- percentage of trading contracts containing a clause on compliance with GDPR and labor law: 81%.

#### 4.3.3.7.2 Risks associated with the transportation of hazardous products

Risk description	Mitigation policies and actions	KPIs	2018	2019
Risk of non-compliance, and environmental risk. The potential impacts include the interruption of business or a criminal law risk in the event of non-compliance further to a check on the transport sub-contractors	Compliance with ADR regulations, annual reports by the safety adviser, checks during loading by the transporters	Percentage of Cromology personnel trained in ADR among those to be trained (%)	NA <sup>(1)</sup>	90.3%

(1) Data unavailable for 2018, this is a new indicator for 2019.

#### Description of risks

Management of this risk involves compliance with the international regulation known as the "Agreement concerning the Carriage of Dangerous Goods by Road" (ADR 2019) (excluding Morocco where this regulation does not apply).

There would also be a legal risk if, with regard to Cromology's logistics, any non-compliance concerning the packaging of dangerous products, in the event of failure to check the credentials of drivers, or if the transport documents were to be inaccurate or incomplete.

There is also an environmental risk in the event of any spillage on the road of a product whose packaging or transportation information is not compliant with the regulation.

The potential impacts include the interruption of business or a criminal law risk in the event of non-compliance further to a check on the transport sub-contractors.

#### Risk reduction policy and action plans

In accordance with the ADR regulation, Cromology, as sender, identifies, classifies the goods, draws up the documentation (packaging labels, safety data sheets, transport documents, technical data sheets for the products manufactured) and guarantees that the products are properly packaged.

Annual activity reports are produced by the health and safety officer.

As the loading company (from its logistics centers), Cromology checks the driver loading the goods, the equipment, the documents, and the training undertaking by all those involved.

#### Key performance indicators

The indicator is:

- percentage of individuals requiring training who have received it: 90.3%.

## 4.3.3.8 Innovation

## 4.3.3.8.1 Risks related to regulatory changes in relation to raw materials

Risk description	Mitigation policies and actions	KPIs	2018	2019
Regulatory risk associated with raw materials, leading to the prohibition or restriction of their use, or to the taking of increased protective measures. The potential impact is economic.	Regulatory monitoring	Share of raw materials involved (as a quantity of raw materials)	9%	9%
		Volume of raw materials involved	1%	3%

**Description of risks**

This is a risk linked to changes in environmental or health and safety regulations, either national or supranational, concerning a chemical substance used in the composition of one of the raw materials used in one of formulas or of a raw material itself.

For paints marketed by Cromology, this change would lead:

- to a ban or restrictions on its use either by Cromology employees or by users of the paint containing the substance, or for anyone exposed to the paint once applied;
- heightened protection measures being taken in relation to the handling of this substance or formula.

The potential impact is economic:

- by stopping the marketing of the paints which could contain the substance in question;
- via the operational application of the implementation of the regulations to adapt the production tool; and
- via an increase in operating costs.

**Risk reduction policy and action plans**

To mitigate this risk and plan for changes to regulations, Cromology has introduced a system based on the monitoring of the regulatory watch conducted by the R&D department and by group Regulatory Affairs (except in Morocco where, in the absence of any specific regulations, Cromology has started to list all dangerous raw materials according to the same European criteria):

- the legislation in each country in which it operates as well as on a European level;
- of any actions to replace the dangerous substances found in its formulas.

The regulatory monitoring carried out by the company means that information is escalated to the prospects team, attached to the R&D and Regulatory Affairs department. The latter role is to identify innovative technologies or products (potentially originating from other industries) and to assess their technical and economic potential, in conjunction with all of Cromology's strategic marketing and R&D teams.

In this context, the Prospects Team allows Cromology to plan ahead for scenarios involving the adaptation and new orientation of its commercial offer which could respond to changes in compliance that may be required by any potential future regulations.

**Key performance indicators**

The following indicators are in place:

- percentage of regulated raw materials (regulated raw materials SVHCs and agents which are carcinogens, mutagens, or toxic for reproduction and harmful to the environment - "CMRs") among all raw materials used in the formulas used for the paints manufactured by Cromology (as a quantity);
- volume of raw materials listed above that are used in the production of Cromology formulas.

Out of the 2,247 raw materials used by Cromology in its formulas, 9% represent a potential or known danger according to the current classification of substances and represent around 3% of the total volume of raw materials used in the production process in 2019 while complying with current legislation on products put on the market. Constant study and daily efforts to replace these substances or limit their use are yielding solutions and continuing to offer new products in line with applicable regulations or, better yet, with existing or new additional certifications.

#### 4.3.3.8.2 Risks associated with products not being in line with market needs

Risk description	Mitigation policies and actions	KPIs	2018	2019
Risks associated with products not being in line with market needs	Regulatory monitoring and innovation	Share of revenue generated by products launched within the last three years	25%	23%
		Share of recycled plastic in plastic packaging purchased by Cromology in France	62%	60%
		Share of revenue from eco-certified products launched within the last three years (out of total revenue from products launched within the last three years)	64%	60%
		Share of revenue generated by eco-certified products in total sales	N/A <sup>(1)</sup>	50%
		Share of revenue generated by water-based products out of total sales	N/A <sup>(1)</sup>	80%

(1) Data unavailable for 2018, this is a new indicator for 2019.

##### Description of risks

Among those long-term trends noted by Cromology, consumer demand for products which are ever more environmentally-friendly has been identified for several years now.

In this context, constant innovation is necessary to ensure the launch on the market of a range of paints with ever-improving environmental impact profiles.

The potential impact of failing to achieve this is a loss of competitive edge and an economic impact.

##### Risk reduction policy and action plans

To meet its customers' needs, Cromology innovates to minimize the environmental footprint of its products.

To this end, Cromology has Research and Development laboratories in all countries in which it has a presence, and close to its customers specific needs. Cromology's objective is to develop products that meet market expectations and respond to environmental challenges.

In 2019, more than 50% of Cromology's R&D investments were devoted to product innovation, especially for activities focused on new markets and future regulatory and labeling changes:

- regulatory monitoring and innovation: please see the "Associated Opportunities" section of Regulatory Risk associated with Raw Materials;
- eco-certified products<sup>(1)</sup>: within the new product development process, the possibility of an eco-friendly design is systematically examined. For example, integrating this characteristic into the design brief has become systematic for the French brands. The design brief is approved jointly by the R&D and Marketing teams;

- Cromology has entered into a partnership with a packaging manufacturer in France to make regular increases to the percentage of recycled plastics used in its plastic packaging, thereby contributing to its environmentally-friendly efforts;
- eco-labeling is a voluntary measure for which there is no regulatory framework. In the paint industry, eco-labels are under-developed in Morocco and in Europe outside of France. In its product innovation plan, Cromology systematically examines the relevance of creating new paints meeting the needs of customers in one country and of obtaining eco-certification for these. For example, Cromology has launched a pollution-removing interior paint, an innovation which generated its own demand in countries such as Portugal, Spain, and Italy;
- if the legislation of the countries in which Cromology operates changes and reinforces the ecological regulatory constraints imposed on industrial entities, Cromology will benefit from its position in the vanguard and will not incur any expenses from having to adapt its portfolio under an agenda imposed by the new legislation. Its innovation policy in terms of eco-certified products has for several years now demonstrated its wish to go well beyond local regulatory obligations for any new product designed.

##### Key performance indicators

- the percentage of revenue generated by products launched within the last three years: 23% (vs. 25% in 2018 and 23% in 2017);
- revenue generated by new products (launched within the last three years) having an environmentally-friendly label as a percentage of sales of all products launched within the last three years: 60% (vs. 64% in 2018 and 66% in 2017);
- percentage of revenue generated by eco-certified products in total sales: 50% (€230 million);
- percentage of revenue of water-based products out of total sales from paint products: 80%<sup>(2)</sup>,

(1) Issued by independent bodies on the basis of specific criteria, the most stringent eco-labels in Europe are: Ecolabel européen, NF Environnement, France's A+ and Germany's TÜV.

(2) Since these last two indicators were implemented from 2019 onwards, no comparison with the 2018 fiscal year is possible.

- the percentage of recycled plastic in product packaging sold by Cromology in France: 60% (vs. 62% in 2018 and 58% in 2017). The total volume of recycled plastic packaging has nevertheless

increased by 10% in volume compared to 2018. The share that this represents has decreased due to the increase in total volumes of plastic packaging purchases.

#### 4.3.3.9 Personal data management

Risk description	Mitigation policies and actions	KPIs	2018	2019
Risks related to the GDPR regulations for the protection of personal data. The potential impact would be sanctions in the event of non-compliance and a negative impact on Cromology's reputation.	GDPR Committee, Classification of data collected according to the GDPR standard, Data processing register, Precautionary measures (IT charter, Communication, Contracts).	<i>Indicator to be defined in 2020</i>		

##### Description of risks

These are the risks related to GDPR for the protection of personal data that have been applicable in Europe since May 2018. These personal data relate to Cromology's employees, customers, suppliers and consumers.

The potential impact would take the form of sanctions in the event of non-compliance and a negative impact on Cromology's reputation.

##### Risk reduction policy and action plans

- The personal data of Cromology's employees, customers and suppliers, gathered and stored in files, has been classified in accordance with GDPR standards. A register of all processing of this data has been created and is updated as changes occur. This guarantees that all data managed in Cromology's systems is used appropriately;
- In terms of raising awareness of and securing this data, the following measures have been taken:

- each employee signs an IT charter when he or she joins Cromology. This charter sets out his or her personal responsibilities in relation to the use of any personal data to which he or she has access,
- a "Personal Data" page has been added to all Cromology's websites whenever they collect data, either regarding customers or regarding applicants responding to published job offers,
- the main contracts that existed prior to the Regulation have been revised to comply with the requirements of the Regulation. The new contracts always incorporate the adapted provisions.

A dedicated GDPR Committee was set up in 2018. This guarantees that all measures involving the collection and use of customer data are compliant with the GDPR standard. The committee includes representatives from the IT Systems department, the Human Resources department and the Legal department and the Customer Data Base Manager for the Tollens and Zolpan networks.

#### 4.3.3.10 Corruption

Risk description	Mitigation policies and actions	KPIs	2018	2019
The potential impact would be sanctions in the event of non-compliance and a negative impact on Cromology's reputation.	Implementation of a global system aimed at developing a culture of compliance and to support employees in understanding the rules, identifying risk situations and defining appropriate conduct (Anti-Corruption charter, Training, Coaching).	<i>Indicator to be defined in 2020</i>		

**Description of risks**

Cromology is committed to conducting its business ethically, with integrity and honesty and in compliance with all applicable laws.

The potential impact would take the form of sanctions in the event of non-compliance and a negative impact on Cromology's reputation.

**Risk reduction policy and action plans**

Cromology's objective is to create a corporate culture in which best practices are integrated into all aspects of activities and become second nature to everyone.

In 2014, an Anti-Corruption charter called "Cromology group policy on gifts, meals, entertainment, travel and other advantages, political contributions, charitable donations, facilitation payments, solicitation and extortion" was drawn up and presented to the Executive Committee. Each Cromology Executive Committee member, including all the CEOs of the operational companies, signed a business conduct charter that incorporates the anti-corruption charter.

The Anti-Corruption charter was updated in 2017 to take into account the requirements of the Sapin II law and integrated into the internal regulations of the French companies of the Cromology group.

In 2019, Cromology designed an e-learning training module for top management and sales managers in France and Switzerland. The aim of this training is to guide them in understanding anti-corruption rules, help them identify risk situations and define appropriate conduct. All employees will be trained in 2020.

**4.3.3.11 Society (voluntary measure)****4.3.3.11.1 Local economy (voluntary measure)**

Most of the group's products are manufactured locally. In 2019, the share of Cromology revenue generated by products sold in the regions where they were produced was more than 97%.

As regards its purchasing policy for raw materials and packaging in Europe, Cromology favors the use of suppliers who manufacture in Europe. Cromology also strives to optimize flows and means of transportation, by sea and other means.

**4.3.3.11.2 Partnerships and sponsorship initiatives (voluntary measure)**

Cromology encourages its teams to support the initiatives of local or national non-profit organizations to aid people in difficulty, local or national heritage, sports or schools.

Cromology also provides support in the form of financial aid, donations of paints and services from the relevant sector.

In France, all sites of the subsidiary CRI use teams from organizations that help disabled people integrate into the workplace (ESATs) to perform activities related to its industrial activity (gardening, labeling, etc.). CRI also organizes the collection of plastic caps from its employees on behalf of the non-profit organization "Un bouchon, Une espérance", which, through recycling of the caps, finances equipment for disabled people.

For the past four years, CRI has also been a partner of the "Second Chance School" located in Clichy (Hauts-de-Seine) and sits on its Board of Directors. This school supports young people without a degree or qualification and encourages them to resume their studies. Cromology teams offer CV coaching and recruitment interview exercises, as well as playing host to interns.

In Morocco, Arcol has been running a program to renovate rural schools through skills volunteering and paint donations since 2015. Some twenty schools and over 5,000 students have benefited from this initiative and from the distribution of school supplies.

Cromology España has been supporting AECC (Asociación Española Contra el Cáncer) since 2016, either through solidarity "product sharing" promotion campaigns (part of the profits from sales is donated to AECC) for its range marketed at Leroy Merlin, or through paint donations.

The promotion of art and culture is also strong, with the following initiatives:

- In Portugal, Tintas Robbialac has partnered with Museu Coleção Berardo (Lisbon) since 2011.
- Tollens is a partner of four museums in France: Musée d'Orsay (Paris), Musée de l'Orangerie (Paris), the Cité de l'Architecture et du Design (Paris) and the Musée de la Piscine (Roubaix).
- Zolpan is a long-term partner of CitéCréation, the world leader of painted murals, and contributed in particular to the "Mur des Canuts" mural in Lyon, France, the largest trompe-l'œil fresco in Europe, and the fresco portrait of Paul Bocuse, also in Lyon.
- Every year, Cromology Italia supports the project of one artist. In 2019, it sponsored the initiative of the artist Luis Gomez De Tehran. The purpose of this urban renewal project was to revitalize the fish market of the port of Viareggio in the Naples region.
- Similarly, Robbialac, Tollens and Zolpan sponsor Urban Art projects: renovation of façades of homes in working-class areas of Lisbon (Robbialac), temporary or permanent frescoes created in Lyon by the Blast Art collective (Zolpan), partnership with the Colorama festival in Biarritz (Tollens).

#### 4.3.3.12 Methodology

##### 4.3.3.12.1 Methodology used to obtain monitoring indicators

###### Scope and consolidation methods for key indicators

The key indicators in this report were selected from across all subsidiaries consolidated in Cromology's financial statements. Cromology's scope includes 14 industrial sites.

For each indicator, the detailed calculation methods are defined in the chapter "Reporting methodology" below. Where measured data is not available, each entity produces estimates. Data collection performed until 2018 via standard Cromology files was performed for the first time in 2019 via an online reporting tool made available by Wendel.

###### Responsibilities and checks

The group's Human Resources department collects and consolidates the HR data, ensures that it is consistent, and validates it. It is the responsibility of Cromology's human resources community to produce this data in each subsidiary.

Cromology's QSE department consolidates "safety" and "environment" data and performs consistency checks.

"Safety" indicators are produced by the safety manager of each subsidiary. Environmental experts at each Cromology subsidiary are responsible for producing the environmental data.

Monitoring indicators for products launched within the last three years and the percentage of net sales of new products with environmental certification of all products launched within the last three years are produced by the Marketing departments of each subsidiary. This data is consolidated and checked for consistency by the group Marketing department.

The monitoring indicator for the number of raw materials (including regulated raw materials) used in the formulations of the paints manufactured by Cromology is produced by the group R&D department.

The indicator for the volume of use of formulas containing regulated raw materials such as SVHC, CMR (1 and 2) per metric ton is produced by the group R&D department.

The indicator relating to the "% of recycled plastic in packaging used for products sold by Cromology" is monitored by the group's Industrial Procurement department. This is produced by the supplier.

Each Cromology subsidiary is responsible for the indicators it collects and monitors.

Each site director is responsible for producing the indicators and performing an initial verification of the result.

#### 4.3.3.12.2 Methodological note

##### Methodological limitations and uncertainties

For fiscal year 2019, the quality and scope of reported data has been improved. Social, Health & Safety and Environmental data were reported directly by Cromology site teams via an online reporting tool made available by Wendel.

The definitions and reporting methods used for the following indicators, as well as any relevant uncertainties, are described below.

##### Safety indicators

###### Lost-time injury frequency rate

The Frequency rate of accidents with lost days (LTIFR) is the number of accidents involving the loss of more than one day of working time that occur over a 12-month period, per million hours worked. It is reported for all subsidiaries in the Cromology group and includes fixed-term and permanent contract employees, temporary employees and subcontractors.

The Frequency rate of all work-related accidents is the number of accidents with and without work loss that occur over a 12-month period, per million hours worked. It is reported for all subsidiaries in the Cromology group and includes fixed-term and permanent contract employees, temporary employees and subcontractors.

Accidents while traveling are included in these indicators when they occur during working hours. Accidents while commuting between home and work are not included.

###### Lost-time accident severity rate

The lost-time accident severity rate is the number of days of working time lost over a 12-month period following a work-related accident, per 1,000 hours worked. It is reported for all Cromology group subsidiaries.

##### Industrial process and point of sale security

###### Roll-out of the 5S method

Percentage of the number of 5S audits performed over the scope of Tollens and Zolpan points of sale in France out of the total number of points of sale in the Tollens and Zolpan networks.

###### Insurer audits

Number of insurer audits performed out of the number of insurer audits to be performed for the entire Cromology group.

##### Environmental indicators

###### Energy consumption

Energy consumption includes the consumption of energy for production activities and distribution networks. It does not include the consumption of energy associated with employee transportation. It is reported for all Cromology subsidiaries.

###### Water consumption & usage

Water consumption includes the consumption of water for production activities, and does not include the water for distribution networks or offices (if those items are not included in the overall consumption for a site). It is reported for all Cromology subsidiaries.

**Waste levels**

This involves assessing the quantity of waste generated per kilo of product manufactured. This rate does not include any exceptional waste, such as waste generated by the removal of asbestos from buildings. Network waste, hazardous or non-hazardous, is included. For the latter, these figures are estimates.

**CO<sub>2</sub>, SO<sub>x</sub>, NO<sub>x</sub> emissions**

These emissions are calculated with emission factors based on energy consumption. Emission factors were updated for 2019 and are taken from the OMINEA 2019 database. Emissions for 2018 and 2017 were not recalculated and use the OMINEA 2012 base factors.

CO<sub>2</sub> emissions include Scope 1 (heating oil and gas consumption) and, since 2019, Scope 2.

**Amounts of eco-contributions (France scope)**

Specific Diffused Waste (DDS in French): amount of the annual eco-contribution relative to the volume generated by activity paid to the eco-organization Eco-DDS.

Graphic papers: amount of the annual eco-contribution relative to the volume generated by activity paid to the eco-organization Citeo.

**VOC emissions**

VOC emissions from combustion energy are no longer included in the calculation of total VOCs as of 2019. They represented less than 0.2% of total VOC emissions in 2018 (in metric tons produced). For 2018 and 2017, they were calculated using emission factors determined by the French National Organization for Atmospheric Emissions Inventory Methods (Ministry of Ecology, France, February 2012).

VOC emissions from industrial processes (use of solvents) are the primary components of this indicator.

The methodology for calculating this indicator was changed in 2017. The new methodology is the one used for solvent management plans. The "VOC" indicator is calculated in the following manner (other VOC emissions):

- VOC (in metric tons) in raw materials ("input 1 VOCs"): these VOCs are calculated on the basis of VOC content (in%) and the quantity of each raw material consumed (in metric tons);
- VOC (in metric tons) in finished products ("output 2 VOCs"): these VOCs are calculated from the average VOC content of a paint formulation. This average VOC content value is calculated on the basis of the VOC content of 10-15 formulations representing at least 50% of the total tonnage produced by the site under consideration. The calculation is weighted by the tonnage of each formulation produced, giving the average VOC content that is then applied to all tonnage produced;
- VOC in waste ("output 3 VOC"): these VOCs are calculated by applying either the average VOC content in the raw materials, or the average VOC content of the finished product to the solvent-laden waste (in metric tons), depending on the type of waste;

- "Diffuse VOC" is calculated as value of (1) - value of (2) - value of (3).

**Transportation of dangerous goods**

Training for point of sale employees in ADR (European Agreement on the International Carriage of Dangerous Goods by Road): Percentage of employees in the Zolpan and Tollens networks trained in ADR (European Agreement on the International Carriage of Dangerous Goods by Road) in relation to the number of people scheduled for the annual training plans for ADR.

**Social indicators****Total workforce**

The total workforce is the number of employees with a permanent or fixed-term contract on the last calendar day of the year. Trainees and PhD students are not counted. Workforce data is reported in number of people and not full-time equivalents. Starting in 2019, employees on notice or reclassification leave for economic reasons have been excluded.

**Hires & departures**

New hires on permanent contracts and fixed-term contracts made permanent and new hires via company takeovers are counted as new hires. Departures relate solely to permanent contracts for departures at the initiative of the employee or the employer or retirement, or for company disposals, or deaths. Internal transfers between group companies are recognized at the group level. Starting in 2019, employees on notice or reclassification leave for economic reasons have been included in departures at the initiative of the employer.

**Absenteeism rate**

AR1 is the absenteeism rate for employees on permanent and fixed-term contracts that is reported for all subsidiaries.

It is calculated by dividing the number of calendar days of absence by the total number of calendar days in the year (365\* for both fixed-term and permanent contracts). Absences include absences due to sickness, unauthorized unpaid leave, and lost time due to work-related accidents and commuting accidents. Other types of absences, in particular long-term leave of more than three years, are not included in calculating the absentee rate.

Starting in 2019, a second absenteeism rate (AR2) has been calculated that takes into account only days worked for days of absence and for days worked per year.

**Share of departures at employee initiative (resignations, retirements).** This rate takes into account the number of employee resignations and retirements in relation to the total number of departures.

**Training hours**

Hours of training for employees on permanent and fixed-term contracts are reported for all subsidiaries. They include internal and external training (including e-learning) and exclude hours corresponding to the schooling of work-study students in France.

### Purchasing indicators

#### Signature of the Ethical Purchasing charter

This is the percentage of Purchasing employees in the group Purchasing department who have signed the charter, out of the total number of Purchasing employees.

#### Coverage rate of main suppliers who have signed the Ethical Purchasing charter

This is the percentage of the amount of purchases from main suppliers that have signed the Ethical Purchasing charter or presented a CSR approach that meets the criteria of the Ethical Purchasing charter, out of the total amount of purchases.

#### Definition of main suppliers

Main suppliers are defined according to the "80/20" rule by Cromology's Purchasing team: 20% of the suppliers representing 80% of the total amount of Purchases.

### Innovation indicators

#### Recycled plastic in plastic packaging (France scope)

This is the percentage of the weight of recycled plastic packaging purchased from the main supplier (metric tons) in relation to the total weight of plastic packaging purchased from the main supplier (metric tons).

The main supplier of plastic packaging represents the highest amount of plastic packaging purchases in France, as well as a significant proportion of the total amount of plastic packaging purchases.

#### Products launched within the last three years with an eco-label

This is the share of revenue generated by products launched within the last three years with an eco-label out of the total revenue of products launched within the last three years.

Eco-labels include:

- the European Union eco-label established in 1992;
- the TÜV SÜD label is awarded by the German independent eco-body of the same name for renewable energies;
- the NF Environnement label is issued by the French national organization for standardization (AFNOR) (paints, varnishes and related products - NF 130);
- the Excell Zone Verte and Excell Plus labels from Excell, an ISO 17025-accredited laboratory, classify materials, products and coatings that are compatible with the indoor air quality of living areas, HQE housing or food industry premises.

### 4.3.3.12.3 Cromology vigilance plan

Cromology's Vigilance Plan was established in response to the requirements imposed by Law 2017-399 of March 27, 2017 in relation to the duty of care. It describes how Cromology assesses and prevents social and environmental risks related to its activities and those of its suppliers.

The CSR Steering Committee, which consists of representatives of the Supply Chain and R&D Division, the Purchasing Division, the Human Resources Division, the Quality, Safety and Environment Division and the Public Relations Division, drafted a CSR vigilance plan in 2018 and updated it in 2019.

### 4.3.3.12.3.1 Risk mapping

The risk mapping process aims to prioritize the main risks to which Cromology considers itself exposed in its own activities, products and supply chain, i.e., risks related to its direct production purchases and indirect purchases.

The mapping has been carried out at an entity level, and a compilation of data has enabled the identification of gross major risk within the scope of Cromology based on the number of sites in question, industrial or distribution network sites, and/or the number of employees concerned.

The Duty of Care Plan forms one part of Cromology's sustainable development policy. Actions which go beyond the context of risk management and regulatory compliance within the framework of the Law on the Duty of Vigilance are implemented across a range of sectors such as environmental, quality and safety certification for production and logistics sites, reduction in energy consumption, recycling of waste, the "quality of life in the workplace" measures adopted by certain group companies, etc. Accordingly, some of the main risks that are mapped under the Law on the Duty of Vigilance have also been identified as main risks in the Extra-Financial Performance Declaration presented above.

### 4.3.3.12.3.2 Risk assessment

The risk assessment process presented is updated on the basis of the monitoring work carried out in the context of the annual publication of this Duty of Care Plan, i) in the context of the compliance audits carried out for the renewal of certification under the ISO 9001 (quality), ISO 14001 (environment) and OHSAS 18001 (safety) standards, ii) in the context of the audit carried out by Cromology customers, or iii) further to audits carried out concerning its suppliers.

### The key risks identified are:

#### A Concerning proprietary activities

Cromology mainly has exposure to:

- risks linked to human rights and fundamental freedoms:
  - risks associated with human and employment rights such as respect for freedom of association and collective bargaining, rights of migrant workers, employees' working hours and rest periods, situations involving harassment, abuse, or discrimination,
  - risk associated with the management of customer personal data and guaranteeing the confidentiality of private data;

- risks to the health and safety of individuals:
  - risks connected to the handling and use of toxic chemical substances that are potentially dangerous to the health of employees and end-users, applicators or individuals, such as substances subject to authorization (SVHC) or carcinogens, mutagens, and toxins for reproduction (CMR),
  - health risks associated with the emission into the air of handled substances subject to restrictions (VOCs) or dust,
  - risk of accidents in the workplace linked to the professional activities of employees in relation to industrial, logistics, or commercial activities;
- risks relating to the environment:
  - risks associated with water and soil pollution or with the contamination of water and soil by restricted substances,
  - risks linked to soil pollution during industrial activity or during the transportation of hazardous materials,
  - environmental risks associated with the release into the air of restricted substances (VOCs), carcinogens or dust,
  - risks linked to the management of hazardous waste generated by operations.

#### B Within the supply chain

Cromology is mainly exposed to risks at its suppliers of raw materials, due to the chemical nature of such materials:

- environmental risks;
- risks to the health and safety of suppliers' workers;
- risks linked to human rights and fundamental freedoms.

#### 4.3.3.12.3.3 Action taken to mitigate risks or prevent serious harm

Risk mitigation measures are based on the various measures tailored to each area of responsibility of the group.

##### Vigilance concerning human rights and fundamental freedoms

###### Rules of professional conduct

From 2014 onward, Cromology established a policy which constitutes the Code of Conduct setting out the principles and rules, in particular with regard to safety, which the company wishes to impose on all employees, under all circumstances, and in all countries.

##### Personal data management

This concerns compliance with the GDPR, which came into force in May 2018:

- the personal data of Cromology's employees, customers and suppliers, gathered and stored in files, has been classified in accordance with GDPR standards. A register of all processing of this data has been created and is updated as changes occur. This guarantees that all data managed in Cromology's systems is used appropriately;
- In terms of security, the following measures have been taken and are presented in the paragraph "Personal data management" of Cromology's Extra-Financial Performance Declaration;
  - A "GDPR" Committee was set up in 2018. This guarantees that all measures involving the collection and use of customer data are compliant with the GDPR standard. The committee includes representatives from the IT Systems department, the Human Resources department and the Legal department and the Customer Data Base Manager for the Tollens and Zolpan networks.

##### Vigilance with regard to personal health and safety

The group is piloting measures the mitigation of personal health and safety risks with two main objectives:

- the preservation of the health/safety of its employees or subcontracted employees, presented in the section "Risks linked to personal safety" of the Cromology Extra-Financial Performance Declaration;
- the preservation of the health and safety of the users of its products (applicators or end customers), presented in the section "Risks related to regulatory changes in relation to raw materials" of the Cromology Extra-Financial Performance Declaration.

Cromology complies strictly with the European regulations for the chemical industry (REACH) and is regularly audited by external bodies as part of obtaining ISO 9001, ISO 14001 and OHSAS 18001 certification or, as a supplier, by representatives of its customers, such as DIY retailers.

Cromology also adheres to a voluntary research and development approach focused especially on respect for the environment and human health. This approach is presented in the section "Risks associated with products not being in line with market needs" of the Cromology Extra-Financial Performance Declaration.

Cromology continually seeks to reduce the VOC content of its innovations as much as possible, beyond the regulatory requirements of the countries where it operates, while maintaining the highest level of quality and performance possible.

In France, for example, Tollens and Zolpan launched products under the German TÜV label, which imposes a VOC content of less than 1 g/l for interior matte paint. This is 1/30 of the content limit under European regulation, and 1/10 of the content limit for the European Ecolabel.

This voluntary approach can be seen in the share of products with an environmental label in sales (by value). In 2019, half of sales were made with products that meet the most stringent labels in terms of VOC content (Ecolabel, TÜV) or VOC emission rates (A+, TÜV). For new products (less than three years old), three out of five products are eco-certified.

In addition, since 2014, Cromology has been selling an anti-formaldehyde paint which enables the level of interior air pollution to be reduced by capturing major pollutants in the paint. This product, when applied to all four walls and the ceiling of a room, can reduce indoor air pollution related to these pollutants by up to 80%.

In France, the share of sales of eco-labeled paints is 76% and the application of anti-formaldehyde paint sold by Cromology has depolluted 4,500,000 m<sup>3</sup> per year since 2014.

#### **Care in relation to the environment**

The industrial activities of Cromology consist mainly in the formulation and manufacture of paint, which have a moderate direct impact on the environment. Nevertheless, respect for the environment forms a key part of Cromology's culture.

For more information, please refer to the "Environment" section in the Extra-Financial Performance Declaration.

#### **Vigilance with suppliers in its supply chain**

The volume of purchases from suppliers of raw materials and packaging purchases is the largest and most strategic purchase made by Cromology. In France, the suppliers from which Cromology buys trade products represent a significant purchasing mass.

This is why Cromology wanted to formalize its requirements in 2019 with these two types of suppliers as part of its CSR approach.

For more information, please refer to the "Supply chain" section in the Extra-Financial Performance Declaration.

#### **4.3.3.12.3.4 Whistle-blowing procedure**

In 2017, Cromology put in place an internal whistle-blowing system which means that any inappropriate conduct as per Law 2016-1691 of December 9, 2016 on transparency, combating corruption, and modernizing the economy "Sapin 2" can be flagged.

In 2019, Cromology extended the scope of this whistle-blowing mechanism to include all potential violations of labor and human rights.

#### **4.3.3.12.3.5 Range of monitoring measures implemented**

In addition to the daily actions of the operational teams in the areas in question, Cromology monitors the measures implemented by the CSR Committee, which met five times in 2019.

The indicators monitored by the committee are the ones mentioned in this document. These measures provide a guarantee regarding the proper enforcement of action plans and duty of care procedures. For example, this concerns health and safety indicators and the annual corporate and environmental audits carried out by an external auditor in the context of the drafting of the Extra-Financial Performance Declaration.

## 4.3.4 Stahl

### 4.3.4.1 Introduction

Stahl is the world leader in leather chemicals and high-performance coatings, with its registered headquarters in The Netherlands. Stahl specializes in providing products and services to manufacturers of leather, synthetics, textiles and other materials used in the automotive, garment, footwear, luxury bags and home furnishing consumer segments. Stahl uses two primary brands (Stahl and PielColor) to promote its products and services, and there are many product trademarks used in the portfolio (eg: PolyMatte®, Permasure®, Stahl EasyWhite Tan™, Catalix®, DryFast, STAHL EVO, Stahl Neo, Relca, PielColor Magic Line).

At the end of 2019 Stahl operated 11 manufacturing sites (vs 13 in 2018) and 35 application laboratories in 24 countries around the world, employing 1,847 people, 30% of whom are engaged in technical activities. The most important countries (ie: where Stahl does most business), in alphabetical order, are Argentina, Bangladesh, Brazil, China, Colombia, France, Germany, India, Indonesia, Italy, Japan, Mexico, Netherlands, Pakistan, Singapore, Spain, Turkey and the USA. As a supplier of chemical products and related services, Stahl considers the health and safety of its employees to be its primary responsibility. Stahl is a model for workplace safety, with a low accident frequency rate. Through its

continuous improvement culture, Stahl also ensures that the impact of its activities on the surrounding ecosystems is limited. Stahl's ESG (Environment, Social & Governance) strategy is to promote greater transparency throughout the whole supply chain, leading to a more sustainable industry and a progressively lower environmental footprint. ESG also represents a significant opportunity for Stahl, to gain competitive advantage, to attract and retain new employees and to drive operational excellence throughout the company.

Stahl is committed to attracting (and retaining) qualified and talented people, and uses employee engagement tools, diverse training modules and a deep-rooted corporate culture to achieve this.

Stahl is aligned to the UN Global Compact, the world's largest corporate sustainability initiative, and reports on its guiding principles annually. With this commitment, Stahl has confirmed the alignment of its strategy and operations to the universal principles of human rights, labour, environment and anti-corruption. Stahl also reports on its progress with the 17 UN Sustainable Development Goals (SDG's) in its annual ESG (formerly CSR & Sustainability) report.



## 2019 REVENUE

€ 809 m

## VISION

We provide high-performing, low-impact solutions to drive the transition to a fully transparent and sustainable supply chain and circular economy.

## MISSION

"If it can be imagined, it can be created."

## VALUES

- Cooperation
- Responsibility
- Initiative
- Imagination

## KEY

- Key partners
- External resources
- Internal resources

## ENVIRONMENTAL PERFORMANCE

## VISION:

- Responsible Chemistry:**  
3 pillars to improve its environmental footprint:
- Low-impact manufacturing chemicals
- Biotechnology
- Circularity

## TARGETS:

CO<sub>2</sub> REDUCTION GOAL:  
**-10%**  
by 2020

## 2019 PERFORMANCE:

- CO<sub>2</sub> Target Achieved: -25% in 2019 versus 2015
- 0 coal used in Stahl plants in 2019
- 100% of green energy on the whole European plants / 36% of renewable energy on the total energy consumption
- 76% of coating solutions are water-based



## SHAREHOLDER GOVERNANCE

SHAREHOLDERS: WENDEL 67.5%, BASF 16.3%, CLARIANT 14.8% AND OTHER 1.4%

## BOARD OF DIRECTORS:

**9 members**  
(Stahl, Wendel, BASF, independent members)

**22%**  
of independent

**11%**  
of women

## HUMAN CAPITAL

**~1,800**  
EMPLOYEES

76% men / 24% women  
30% in technical activities

61 nationalities in 24 countries :

- 49% in Europe, Africa
- 21% in Pacific-Asia
- 15% in America
- 15% in India / Pakistan

## INTELLECTUAL CAPITAL

**100** PEOPLE  
working on innovation everyday

**600**  
TECHNICAL EXPERTS

## INTERNAL RESOURCES

## PROCUREMENT



Suppliers: large multinational chemical companies coming from 54 countries of which 85% (in production volume) are in very low, low or medium risk countries\*\*\*



## PRODUCTION

**11** manufacturing sites  
**35** Application laboratories

**9** Centers of Excellence

## USE OF RESOURCES

## DISTRIBUTION



**35** sales support offices

## PRODUCTS

- Chemical product for leather
- High performance coatings and polymers

## MARKETS

## Main sectors

- Automotive
- Footwear, Apparel & Accessories

## OUTPUT

\* 840 visitors x 10 people who they on average influence with the obtained knowledge

\*\* including patent applications

\*\*\* Based on Global Risk Profile ESG Index



## OPERATIONAL GOVERNANCE

EXECUTIVE CONTROL GROUP

MANAGEMENT TEAM:

9 members

0 women

- 15 training hours per FTE on average
- 840 interns followed Stahl Campus module, impacting a total of 8400 beneficiaries\*
- 73 active patent families\*\*

## R &amp; D

**11** research centers  
**~100** chemists

## CERTIFICATIONS / MANAGEMENT SYSTEMS

**93%**  
 of production volume come from sites certified ISO 14001 and 99,7% from ISO 9001

Europe	31%
Asia	40%
Middle East & Africa	5%
Americas	24%

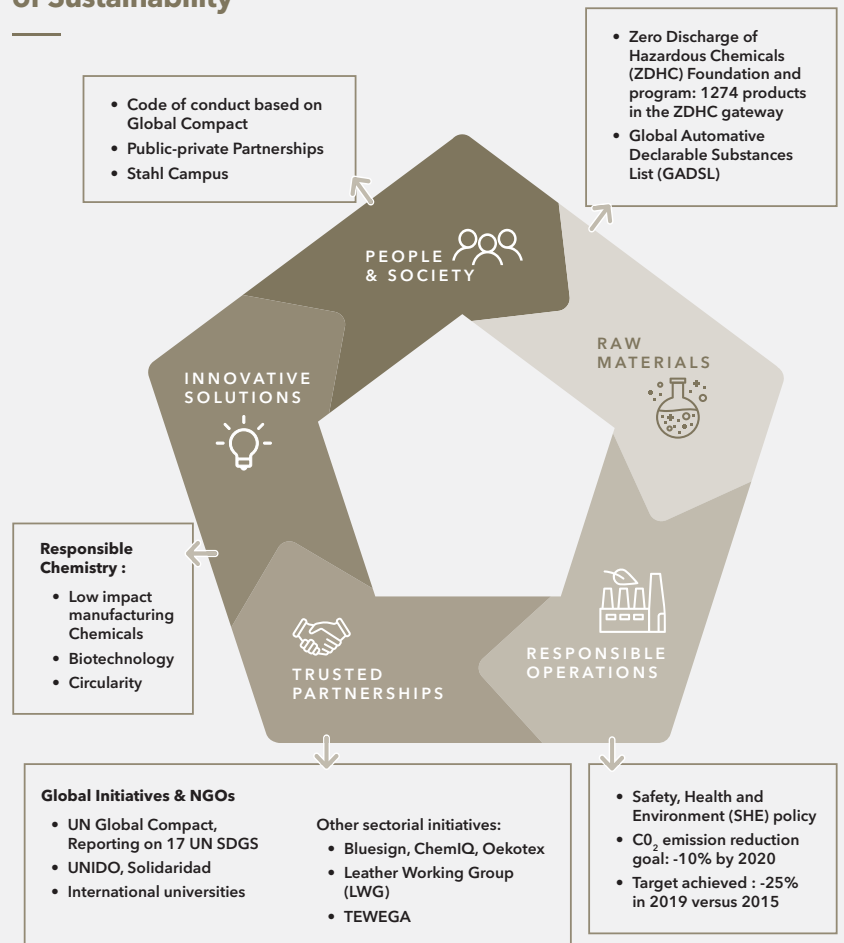
## OUTSOURCED PRODUCTION

Smart production combining in-house production of key technologies and outsourcing of larger volume products (approx. 40% of total) to trusted partners

## Others

- Architectural & Interior Design
- Industrial Applications
- Leisure & Lifestyle
- Home Furnishing

## 5 focus areas of Sustainability



1 NO POVERTY



3 GOOD HEALTH AND WELL-BEING



4 QUALITY EDUCATION



5 GENDER EQUALITY



6 CLEAN WATER AND SANITATION



8 DECENT WORK AND ECONOMIC GROWTH



10 REDUCED INEQUALITIES



13 CLIMATE ACTION



### Stahl governance

The Stahl Board, its highest governance body, consists of members from its shareholders Wendel, BASF, Stahl plus two independent members. The Stahl Board meets five times per year and schedules additional conference calls to discuss any pertinent company matters, like the latest financial results.

#### Stahl Board (2019)

Huib van Beijeren (Stahl CEO)

Frank Sonnemans (Stahl CFO)

Félicie Thion de la Chaume (Wendel)

Jérôme Michiels (Wendel)

Claude Ehlinger (Wendel)

Bruno Fritsch (Wendel)

Anup Kothari (BASF)

Etienne Boris (Independent)

Pieter van der Slikke (Independent)

The Stahl Management team, as of January 2020, consists of the Stahl CEO, CFO, COO, the Director of R&D, Director of Corporate Affairs and the Leather Chemicals and Performance Coatings strategic Business Unit Directors respectively. This team meets monthly and determines the implementation of company strategy.

A wider governance body, called the Executive Control Group, 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 YTD (year to date) performance KPIs and decides on tactics for the upcoming business cycles.

### Manufacturing, suppliers, customers

Stahl produces its portfolio of products either at its manufacturing sites around the world or at outsourced locations via service agreements. Stahl's suppliers are generally large multinational chemical companies.

Most of Stahl's customers are either leather tanneries or manufacturers of textiles, coated fabric and synthetic materials (known as converters or mills). The company also supplies shoe factories and paint & coatings manufacturers. Stahl's customers range from large corporations to medium and small sized operations. Smaller customers are typically handled by Stahl's significant network of agents and distributors around the world.

### 4.3.4.2 Environment, Social and Governance (ESG)

#### Goals and Strategy

Stahl's ESG goal is to achieve a transparent supply chain that continuously reduces its environmental footprint. The company's strategy to achieve this goal is to promote transparency and provide environmental solutions for the supply chain to allow for continuous reductions in environmental footprint. Stahl's influential position as a provider of products and services to manufacturers of materials used in the automotive, apparel, home furnishing, footwear, garment and other related industries, is a determining factor in the implementation of this strategy. Stahl also recognizes that sustainability represents a significant opportunity, to gain competitive advantage and to drive the operational excellence that creates long term value.

#### CSR and ESG

Corporate Social Responsibility (CSR) describes a company's efforts on having a positive impact on the environment, employees, consumers and the wider community. ESG measures CSR activities to give a precise assessment of a company's actions, and is used as a key marker for investors. Stahl's ESG reporting looks at how the company is responding to external influences, risks and trends like climate change and decarbonisation, but also how it treats its workers, manages its supply chains etc.

At the corporate level, Environment, Social & Governance (ESG) is represented in Stahl's Senior Management and Executive Management teams, which meet monthly and set the Company strategy. The Corporate Affairs and ESG team meets regularly with finance, legal counsel, sales and 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 also supports commercial activities initiated by customers that are related to sustainability. KPIs (key performance indicators) related to safety, health and environment are measured and reported monthly by regional operations staff at Stahl manufacturing sites around the world. These KPIs are consolidated into a global report which is sent to the Stahl Board each month.

## ESG risks from external trends

### Climate change, environmental impact measurement

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 basic research projects are linked to the elimination of restricted substances (eg: ZDHC, Bluesign®, ChemIQ, Reach) and new raw materials to replace them. With regard to natural products, there are currently 20+ projects in R & D specifically focused on finding natural resource alternatives to petroleum based polymers for polyurethanes, a core technology for Stahl. With regard to water, significant research time is spent on developing waterbased products (already a large portion of the portfolio) or on products that reduce water pollution originating from Stahl's 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 is investing in Life Cycle Assessment (LCA) methodology to quantitatively measure the impact of its products on the environment, and to express it in language that its supply chain stakeholders can recognize (e.g., the impact on ozone depletion, toxicity, climate change and land use). This LCA commitment is part of the Responsible Chemistry Initiative, described later in this report, which is designed to mitigate the impact on the environment of Stahl's products. The principle is that in order to reduce environmental impact, it first must be measured using a recognized methodology.

### De-carbonization and Renewable Carbon

Renewable Carbon is the terminology used by the chemical industry to describe the de-carbonization movement away from using fossil fuels and towards using resources that have not been extracted from the earth's surface (geosphere), like bio-based materials, biomass or recycled plastics. Stahl's research into natural resource-based products, like Proviera® Probiotics for Leather and bio-based polyurethanes, is linked to this movement and is described in the Responsible Chemistry segment of this chapter (see later).

### Lifestyle Choices

Stahl respects consumer lifestyle choices with respect to veganism, leather, plastics and other materials used in its target segments. While it actively supports and is part of industry initiatives to

improve the environmental footprint of leather, synthetics and textile manufacturing, Stahl is also involved in the development of alternatives materials, like those made from pineapple leaves, fruit waste, mushrooms and laboratory-grown protein for example. Stahl respects the choices of brands, such as Tesla, in the automotive industry or Stella McCartney, in the luxury ready-to-wear sector to not use leather, and has adopted a transparent approach on the benefits and drawbacks of leather alternatives. Indeed, the movement towards alternative materials is seen as an opportunity by Stahl, who believes it is well positioned to adapt to such macro lifestyle trends. At the same time Stahl is convinced that leather will continue to be a material of choice for consumers in the future, given its longevity and inherent sustainability.

### ESG Risk Mapping for Extra-Financial Performance Declaration (EFPD)

Stahl has performed a detailed review of its risk assessment in and control policies, in accordance with the requirements of the Extra-Financial Performance Declaration (EFPD), on environmental, social, human rights and corruption risks resulting from its activities. This review covers the risks linked to its employees, suppliers, and to the external supply chain that it serves. Stahl has adopted due diligence policies covering health, safety, environment and human rights that mitigate the risks identified in this review. The results of Stahl's risk analysis were cross-checked with two types of organizations, used as reference sources:

- independent standards: MSCI (Morgan Stanley Capital International) and SASB (Sustainability Accounting Standards Board);
- companies comparable to Stahl in terms of sector of activity, operating in several countries, and disclosing on their CSR risks and materiality method.

The risks identified with the highest gross risk level<sup>(1)</sup>, as agreed in preliminary work and audited at site and corporate level, are presented below. The table presents a short summary of the risks, the policies implemented by Stahl to mitigate the risks identified, the Key Performance Indicators (KPIs) defined to monitor the policies, and the results corresponding to these indicators for 2019. The table also indicates the paragraphs where further information can be accessed.

(1) Gross risks are the risks for similar companies and activities (that impact both the company and the external stakeholders) in the same geographic area, without the effects of mitigation. Stahl explains how it manages and mitigates these risks in each chapter of this report. Note: Because of the nature its activities (leather chemicals, coatings and polymers), Stahl believes that some identified risks do not represent critical extra-financial risk for Stahl and do not need to be developed further in this report. These less critical risks are: fight against food insecurity; respect of animal welfare, responsible, fair and sustainable food production.

## Gross Risks, mitigation policies &amp; KPIs

CSR Topics	Extrafinancial Risk	Description	Mitigation policies and actions	KPIs	Related paragraph
<b>HEALTH AND SAFETY</b> (Wendel historical priority)	Occupational health and safety.	Chemical industry: Risks related to occupational health and safety, including: <ul style="list-style-type: none"> <li>Chemical contact or exposure to hazardous substances for health;</li> <li>Risk of chronic (serious) illness linked to chemical exposure;</li> <li>Slips, trips and falls;</li> <li>Fatal and serious incidents.</li> </ul>	SHE policy Training R20 (Road-To-Zero) Program	TRI Frequency rate. LTI Frequency rate (accidents with lost work time). Severity rate of accidents.	4.3.4.4
<b>ESG PERFORMANCE OF PRODUCTS AND SERVICES</b> (Wendel historical priority)	Increasing demand and regulation for sustainable chemical products.	<ul style="list-style-type: none"> <li>Products not aligned to the requirements of brands, NGOs &amp; consumers.</li> <li>Customers causing environmental contamination with Stahl's chemicals.</li> <li>Unavailability of chemical raw materials due to regulation related to environmental or human health.</li> </ul>	Regulatory watch & product stewardship. Industry governance and initiatives (like ZDHC). Stahl's Responsible chemistry policy. R&D	ZDHC compliant products (number of products in the ZDHC gateway), highest conformance level. Share of finishing and coatings-related products that are water based. Share of R&D projects on the elimination of restricted substances (% total projects).	4.3.4.5.4
<b>ENVIRONMENT</b>	Lowering GHG emissions that contribute to climate change.	Stahl recognizes that reductions in global CO <sub>2</sub> emissions will be required in order to achieve the goals outlined in the Paris Climate Accord established in 2015.	Reduce CO <sub>2</sub> emissions. Energy reduction. Focus on energy self-sufficiency.	Share of renewable energy. Energy intensity (TJ consumed/ton produced). CO <sub>2</sub> intensity Scopes 1 & 2 (tCO <sub>2</sub> -eq/ton produced).	4.3.4.5.1
	Impact on water resources.	Risk of insufficient water for the process and water supply cuts from local network.	Water management.	Water intensity (m <sup>3</sup> consumed/ton produced).	4.3.4.5.2
	Hazardous waste management.	Risk of significant increases in hazardous waste generated at Stahl sites and inadequate management of their end-of-life.	Waste reduction Circularity	Waste Water sent to external treatment (ton). Waste intensity. Provision for land pollution (M€).	4.3.4.5.3
<b>SOCIAL</b>	Attractiveness & talent retention.	Risk of losing qualified and talented employees from the company.  Risk of not attracting qualified and talented employees to the company.	HR Strategy Company leadership model. Employee Engagement Platform (EEP) & training.	Turnover rate. Turnover rate - resignations only. Training hours per employee (FTE).	4.3.4.3.1
<b>GOVERNANCE</b>	Corruption and bribery.	Risk of corruption, bribery, modern slavery in Stahl's supply chain.	Code of Conduct. Due diligence questionnaire.	Share of employees trained on these subjects.	4.3.4.6.1
		Risk of corruption, bribery, modern slavery in Stahl.	EcoVadis Business Sustainability Ratings (for suppliers).	Whistle blowing - Number of cases treated.	4.3.4.6.1

Materiality matrix

Stahl reports regularly on ESG in order to promote transparency and to assess the progress made on its CSR activities and KPIs. To make sure that it reports on the topics that are material for the company, Stahl developed a materiality matrix to give insight into the priorities faced by the company and its stakeholders. Stahl's latest materiality matrix (below) confirms that the focus on safety, water effluent, emissions and energy, is aligned with what its key stakeholders believe is Stahl's priority. The matrix is also aligned

closely to the outcome of the extra financial risks, presented in the Extra-Financial Performance Declaration.

Fig. 1: Materiality Matrix

33 economic, environmental & social aspects defined by GRI are plotted. Those that matter the most (highest impact), to both Stahl and its stakeholders, are plotted in the right top corner of the matrix. In the middle section those that score medium are shown. 'Other topics' are those that had the lowest relative score.



## 2019 ESG Highlights

- **Economic:** 2019 was a year of slightly lower volume production levels at Stahl's factories, which had an impact on KPIs that are measured "per tons produced", like CO<sub>2</sub>, water, energy and waste. This lower volume was caused by softer demand across Stahl's end market segments. Despite the volume impact, Stahl's environmental KPIs remained on a continuous improvement path.
- **ESG Performance:** Stahl launched its Responsible Chemistry Initiative in 2019 (see section 4.3.4.5.4), in which its technology and product development activities are categorized into three levels of environmental impact reduction. Stahl also achieved Level 3 status in the ZDHC Gateway conformance module, for its global leather chemicals product range.
- **Health & Safety:** Stahl implemented new criteria for governing and reporting SHE and process safety, in order to reflect the occurrence of safety incidents more accurately. The company also embarked on a new safety awareness campaign, called R20 (Road To Zero). Total recordable incidents (TRI) Frequency rate showed improvement in 2019 vs 2018. Lost Time Incidents (LTI) Frequency rate and Severity rate in 2019 were both slightly higher than in 2018, but lower than 2017.
- **Social:** Stahl implemented a new Employee Engagement Platform (EEP) in 2019, which is partly designed to encourage higher employee participation and to foment commitment to the company culture (see section 4.3.4.3). Stahl employees completed e-learning modules on corruption and bribery as part of this new EEP.
- **Environment:** Climate change has been identified as a critical external risk for Stahl and the company met its 5-year goals for a 10% CO<sub>2</sub> emissions reduction by the end of 2019. The on-site generation of solar energy at the Stahl Brasil site was an example of the company's commitment – solar panels are already supplying 50% of the factory's energy needs.

### 4.3.4.3 HR – Enhancing company attractiveness, maximizing employee engagement

#### 4.3.4.3.1 Attractiveness & talent retention

Risk	Risk Description	Mitigation policies and actions	KPIs	2018	2019
Attractiveness & talent retention	Risk of losing qualified and talented employees from the company	HR Strategy	Turnover rate	10.58%	8.71%
		Company leadership model	Voluntary staff turnover rate – resignations only	5.05%	4.24%
	Risk of not attracting qualified and talented employees to the company	Employee Engagement Platform (EEP) & training	Training hours per employee (FTE)	22.30	15.32
		Stahl values and DNA, shared with employees			
		Succession Planning – new leaders in key positions			

Stahl believes the future workplace will be defined by personalized solutions, wellbeing and a focus on diversity. New generations already expect companies to "walk the talk" on environmental, social and governance topics. Rigid and complex hierarchies will be a thing of the past, and leadership will require emotional intelligence and cross functional team skills. Organisations will become flatter, with more power devolved to teams. In order to prepare for this, the company is focusing on ensuring the company remains attractive for all generations.

HR activities in 2019 have therefore been focused on addressing the identified risks with regard to talent retention and ensuring the company remains Stahl's attractive for potential and new employees, by:

- focusing on employee engagement, diversity management and equal opportunity;
- further developing and establishing Stahl's culture and DNA;
- transferring knowledge and information effectively within the company;
- hiring and coaching people in line with current and future business goals;
- creating an open, transparent and fair management style; and
- emphasizing the benefits of Stahl's truly international team.

The focus of the Stahl HR Team is to ensure that each employee has a great experience in the company through employee engagement, ie: enhancing the emotional commitment an employee makes to the organization and its goals. Employee engagement is therefore about Stahl employees feeling pride and loyalty to the company and being an advocate for the organization to customers, colleagues and potential candidates.

#### EEP (Employee Engagement Platform)

Stahl launched its Employee Engagement Platform in October 2019 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 (eg: for external auditing); and
- integrate social learning experiences.

An employee e-learning course was implemented in 2019 as part of the new EEP, and was targeted at all Stahl employees. This e-learning centred on Stahl policy with respect to mitigating risks of bribery, corruption, modern slavery, diversity, equality etc. within Stahl and in its supply chain. By the end of 2019, 90.4% of employees had successfully completed the course, which includes a minimum grade examination requirement.

#### Stahl values & DNA

Stahl believes that its four core values (Co-operation, Imagination, Initiative, Responsibility) are the pillars of its success and should be applied by all employees. The company therefore created a video as part of its on-boarding plan (also published on the Stahl website - career section) which reinforces these core values and company DNA. The video features:

- Stahl as an international player with a global mind-set;
- Stahl as an organization that holds customers at the core with a market and entrepreneurial culture always focused to get results;
- Stahl's Global structure, with strategy is defined at corporate level and deployed at local level via local best practices; and
- Stahl's entrepreneurial spirit and the emphasis on individual freedom to bring forward great ideas and business development opportunities.

#### Succession Planning – new leaders in key positions

Some senior executives were hired or promoted within the company in 2019 to ensure business continuity and leadership, while maintaining the Stahl culture and values as pillars. This has allowed for changes in the current organization to be made in order to meet future business requirements and to streamline the organization.

Stahl merged sourcing, procurement, operations and supply line under one director as per January 1, 2020. A new Chief Operating Officer was hired as a result, who will organize the new team with the purpose of streamlining the group supply chain process.

On February 1, 2019, a new Chief Financial Officer joined the company. The organization was also expanded with the newly created role of Group Director M&A (mergers and acquisitions) as of February 1, 2019, reporting to the CFO.

The company has also begun to evaluate the quality of its middle management, including recruiting some young talent to fill the pipeline for the future. Internal candidates are favoured by Stahl for future career movements, replacements and promotions.

#### 4.3.4.3.2 Employment

The total number of employees (headcount) at 2019 year-end was 1,847, which is a decrease of 150 employees compared to the end of 2018. The reduction is linked to the completion of the complexity reduction and value improvement project implemented in the Leather organization, which aims to streamline the business complexity that accompanied the company's recent acquisitions. The reduction also reflects the consolidation of Stahl's manufacturing sites in 2019, in Spain (from 2 sites to 1) and in India (also from 2 sites to 1) respectively.

The breakdown of FTE's (full-time equivalent) as of December 31, 2019 and the change compared to the prior year-end per region is as follows:

Region	12/31/19	12/31/18	Change
EMEA	901.6	962.5	(60.9)
Asia-Pacific	384.0	387.0	(3.0)
India and Pakistan	274.0	317.0	(43.0)
North and South America	267.0	305.6	(38.6)
	<b>1,826.6</b>	<b>1,972.1</b>	<b>(145.5)</b>

87.6% of Stahl's employees are on permanent contracts. Its workforce is 76% male and 24% female.

Total Full-time Employees (FTE) leaving (dismissals, resignations and other) during 2019 were 258.9 and 113.8 joined over the period (excluding internal transfers). These ratios are in line with the market for the activities and location in which they take place. The turnover rate in 2019 was 8.71% compared to 10.58% in 2018. Voluntary staff turnover rate in 2019 was 4.24% compared to 5.05% in 2018.

#### 4.3.4.3.3 Working Organization

Stahl operates through a complex international organization in order to effectively serve its diverse customer base. Stahl has 11 manufacturing sites, 11 R&D labs, 35 application labs, 35 sales offices and 9 Centres of Excellence. Working practices differ by region.

The majority of the Stahl units have a 5 day working week, with exception of India and Pakistan where they also work on Saturday mornings. Working hours and incidents are recorded, depending on the site, by either electronic or manual systems.

All Stahl units report absenteeism (which includes absences for sickness and work accident) as required by local legislation but also in a way that can be reported at the corporate level.

The global absenteeism rate in 2019 was 1.76%, compared to 1.70% in 2018.

#### 4.3.4.3.4 Labour relations

Given the international set up of Stahl and the relatively small dimension of the local units, there are 4 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.

#### 4.3.4.3.5 Compensation

Total compensation excluding bonus, paid in respect of 2019 was €114 million, approximately 0.84% below 2018.

#### 4.3.4.3.6 Training and education

In order to mitigate the risks identified in this report, Stahl gives priority to ESG training, which includes safety, health, environment and social compliance. More specifically every new employee receives updated safety training and instructions in line with their position. This is followed by more specific job-related training to ensure 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.

##### Individual training programs

All employees that have worked for the Company more than four months are eligible to participate in external training programs individually or in teams. Stahl encourages employees and managers to consider different types of training, like workshops, e-learning, on-line courses, lectures etc.

##### Corporate training programs

Stahl has defined a corporate training catalogue in which the following topics are covered:

- compliance, anti-bribery and anti-corruption and modern slavery;
- workplace diversity and inclusion;
- security awareness and GDPR training;
- leadership (Management Training and Masterclass);
- induction program for new employees;
- team-based training on company-related issues (e.g. new systems or policy changes);

- preparation training for individual promotions, transfers or new responsibilities.

The indicator of total hours of training is tracked locally by each Stahl unit and it is consolidated at group level. The number of hours received per employee in 2019 was 15.32 hours per full-time equivalent (FTE) compared to 22.30 hours per FTE in 2018.

#### 4.3.4.3.7 Equality, Diversity & Inclusion

Stahl's Diversity and Inclusion Policy, published on [www.stahl.com](http://www.stahl.com), expresses the company's commitment to embedding equality, diversity and inclusion across the organization. Equal treatment is at the heart of the organization and Stahl believes this will produce a more innovative and responsive organization. Stahl also believes 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 different viewpoints and ideas.

Consistent with its strategy of growing its leadership talent, Diversity and Inclusion principles are also embedded within its core leadership development programs to encourage managers to demonstrate them as part of their leadership behaviour. Stahl also builds cultural intelligence and equality into its performance review, hiring and talent identification processes.

Stahl tracks the ratio of male/female employees and the number of female employees in supervisory positions (employees with direct reports and/or holding a management position). In 2019 there were 90 women in supervisory positions, which is 23.38% of total supervisory positions.

The need to respect strict security and emergency measures, limits the opportunities to employ a high number of disabled employees. There are currently 13 employees in this category, compared to 12 in 2018.

#### 4.3.4.4 Safety & Health – addressing occupational safety risks

CSR Risk	Description	Mitigation policies and actions	KPIs	2018	2019
Occupational health and safety	Chemical industry: Risks related to occupational health and safety, including: <ul style="list-style-type: none"> <li>■ Chemical contact or exposure to hazardous substances for health;</li> <li>■ Risk of chronic (serious) illness linked to chemical exposure;</li> <li>■ Slips, trips and falls;</li> <li>■ Fatal and serious incidents.</li> </ul>	SHE policy SHIRAM (Stahl Hazard Identification and Risk Assessment Methodology) Training R20 (Road-To-Zero) Program	TRI Frequency rate	7.662	5.444
			LTI Frequency rate (accidents with lost work time)	1.035	1.134
			Severity rate of accidents	0.018	0.031

The risk of accidents and illnesses related occupational safety have been identified by Stahl as a gross risk, as shown in Table 1 (section 4.3.4.2) of this report. All its activities, policies, monitoring and reporting and training are consequently aimed at creating a true safety culture and mitigating these risks, which include:

- chemical contact or exposure to hazardous substances;
- risk of chronic (serious) illness linked to chemical exposure;
- slips, trips and falls;
- accidents with irreversible consequences.

Stahl believes that the protection of health and safety of people and the preservation of the environment will always be its highest priority and that this mindset (and policy) is rooted in the employee culture. Stahl's focus with respect to SHE & Process safety management is on enforcing the knowledge and

responsibility for decision making. In 2018 a Behavioural Safety Program was defined by Stahl and piloted in the Parets, Spain production facility. This program has been rolled-out to Waalwijk and Palazzolo in 2019. Called R20 (Road-To-Zero), the pillars of this program are:

- safety culture is not achieved by the big efforts of a small group, rather by the small efforts of a large group of people;
- a true safety culture defines an attitude to life, at the workplace and at home;
- the consequences of injuries in the workplace affect people's lives at home.

To underline the strategic and critical importance of a common behaviour on safety, and to demonstrate the commitment of the management to it, a Zero Tolerance safety policy was established, and rolled-out globally, in 2019.

### Health & Safety principles

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

- 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.

Stahl's safety policy establishes the need to:

- implement safety principles through process conception, facility design, operation specification and behaviour of people;
- identify and assess all hazards;
- define safety measures to prevent incidents and accidents;
- define safety measures to limit the potential consequences of incidents and accidents;
- report and investigate all incidents, take the necessary actions & share and learn from them;
- monitor safety performance with metrics and indicators;
- audit and review hazards periodically;
- be open to improvements made available in the industry;
- ensure good practices in emergency response and crisis management preparedness;
- success in safety performance shall be celebrated and rewarded;
- consider safety responsibility as a mandatory individual responsibility to be spread throughout the entire organisation;
- contribute to continuous improvements in safety by making viable suggestions.

### Safety culture pillars

Stahl's safety culture is based on 4 pillars: Processes, Assets, Operations, Behaviour.

Safety ultimately relies on human factors, given that any facility, building, equipment or process is conceived, designed, built, installed, operated, maintained and finally dismantled by humans. The responsibility for decisions and actions taken along that life cycle therefore lie with the decision makers or their successors.

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

### Reporting Criteria & SHIRAM

In 2019 Stahl reviewed and implemented new criteria for reporting and governing SHE and Process Safety. New KPIs according to industry best practices and criteria were defined. A systematic reporting system was put in place in order to analyze key factors on reported events and allow management to identify trends and take decisions based upon objective criteria. Historical data was reviewed and introduced in this system so that trends and KPIs could be traced back to 2012.

In terms of Process Safety, the Stahl Hazard Identification and Risk Assessment Methodology (SHIRAM) was rolled out worldwide and became Stahl's standard methodology for risk assessment. This methodology has been designed to fit Stahl's operations and processes, and to integrate best practices for Risk Assessment and Management.

Global Safety performance and related KPIs are reported and monitored monthly and annually. The Company tracks progress on safety indicators and reports different categories of injuries and incidents including lost time injury (LTI), first aid, medical treatment and irreversible injuries. Each month it reports injuries, incidents, audits, trainings, engineering projects and other prevention methods both internally and externally. The Safety reporting procedure is defined by Stahl policy on SHE&PS, in which KPIs, criteria and reporting tools are defined.

### Safety KPIs

The table below shows KPIs related to work injuries.

	2019	2018	2017	2016
TRI Frequency rate	5.444	7.662	6.641	7.261
LTI Frequency rate	1.134	1.035	1.771	1.613
Severity rate	0.031	0.018	0.059	0.016

Details on the calculation of the KPIs above are described in the Safety indicators point of Reporting Methodology.

#### 4.3.4.5 Environment - mitigating risks by lowering environmental footprint

As part of the aforementioned EFPD risk assessment realized by the company, several environmental gross risks were identified by Stahl:

- hazardous waste management;
- impact on water resources;
- greenhouse gas (GHG) emissions contributing to climate change; and
- the increasing demand and regulation for sustainable chemical products.

The company has implemented a corporate strategy, with associated KPIs and policies, in order to mitigate these risks.

#### Corporate Strategy

The company's commitment begins with its widely communicated corporate strategy on ESG, *i.e.*: to promote greater transparency throughout the whole supply chain, leading to a more sustainable industry and a progressively lower environmental footprint. This includes reducing the environmental impact of its own operations (including purchased raw materials) as well as that of the supply chain into which it provides its products and services.

Stahl is committed to global initiatives like The 2015 Paris Climate Accord (on reducing CO<sub>2</sub>), the UN Global compact (included in the Stahl Code of Conduct for Business Partners), the UN Sustainable Development Goals and the OECD - Organisation for Economic Co-operation and Development. For reporting, Stahl discloses information in its annual ESG report according to the Global Reporting Initiative (GRI) guidelines.

Stahl is continuously upgrading its manufacturing sites and laboratory facilities in order to achieve energy, waste and water efficiencies and to reduce its environmental footprint. To monitor the effectiveness of these mitigation activities, the company reports on the following KPIs each month and annually:

- CO<sub>2</sub> and energy;
- water;
- waste.

A highlight from 2019 was the contribution of energy generated from solar panels at the Stahl manufacturing site in Portao, Brasil. This solar energy investment resulted in a significant drop in CO<sub>2</sub> emissions for the site in 2019, and represented 42% of the electricity consumed at that facility. The company is planning to introduce solar and/or other renewable energy alternatives at its other manufacturing sites in the coming years.

4.3.4.5.1 Climate Change risk - Carbon Dioxide (CO<sub>2</sub>) emissions

CSR Risk	Description	Mitigation policies and actions	KPIs	2018	2019
Lowering Greenhouse Gas (GHG) emissions that contribute to climate change	Stahl recognizes that reductions in global CO <sub>2</sub> emissions will be required in order to achieve the goals outlined in the Paris Climate Accord established in 2015	Reduce CO <sub>2</sub> emissions: internal target	Share of renewable energy	34%	36%
		Energy reduction	Energy intensity (TJ consumed/ton produced)	0.00166	0.00182
		Green energy sourcing Focus on energy self-sufficiency (Technology investments)	CO <sub>2</sub> intensity Scopes 1 & 2 (tCO <sub>2</sub> -eq/ton produced)	0.106	0.120

Stahl recognizes that reductions in global CO<sub>2</sub> emissions will be required in order to achieve the goals outlined in the Paris Climate Accord established in 2015. Stahl set an internal target to reduce CO<sub>2</sub> emissions by 10% by 2020 (scope 1 and 2, using 2015 as a baseline) and met that target by the end of 2019. Stahl's improvements in CO<sub>2</sub> emissions are driven by sourcing green energy at its European sites and by technology investments that lead to long term efficiencies at its manufacturing sites. The company is now considering new goals for 2030, including stepping up investments into renewable energy at its sites, with a view to eliminating the need for network electricity sourcing.

Stahl estimates and reports also on the scope 3 indirect emissions since 2016. Scope 1 are direct emissions from owned or controlled sources, e.g. fuel combustion. Scope 2 emissions are indirect emissions from the generation of purchased energy. Scope 3 emissions are all indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions.

The below tables show the different sources of CO<sub>2</sub> emissions calculated by Stahl, as per the Green House Gas (GHG) protocol.

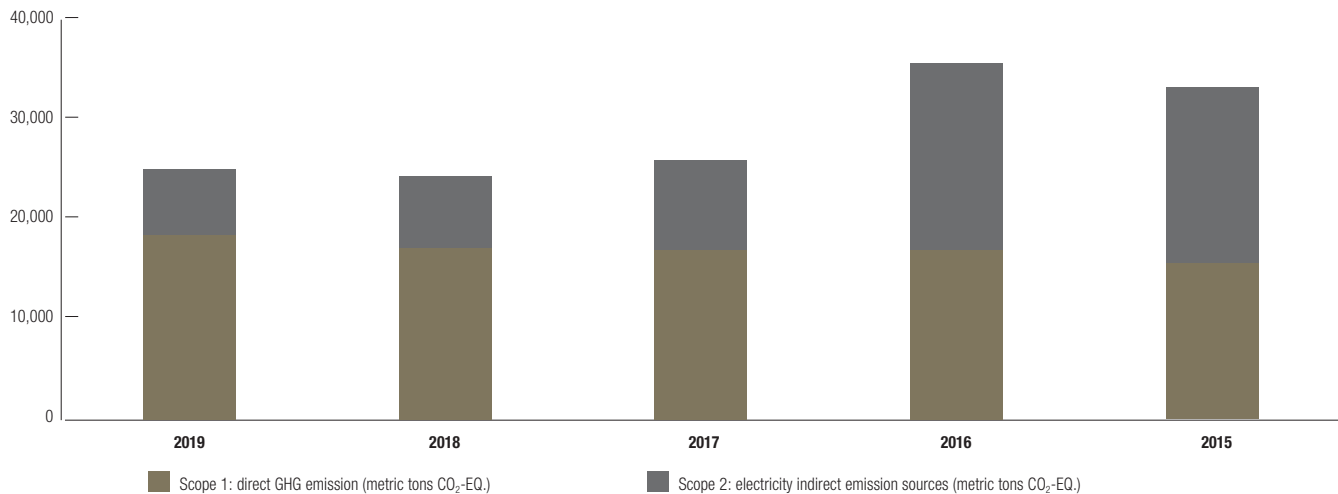
Carbon Dioxide (CO<sub>2</sub>) emissions

Scope 1 (direct)	Scope 2 (indirect)	Scope 3 (indirect)
Fuel combustion Company vehicles	Purchased electricity, heat and steam	Purchased goods and services (including packaging) Capital goods Waste Use of sold products Transportation and distribution (up- and downstream) End of life treatment of sold products Leased assets and franchises

## Scope 1 and 2 emissions

	2019	2018	2017	2016
Scope 1: direct GHG emission (metric tons CO <sub>2</sub> -EQ.)*	18,380	17,114	16,915	16,924
Scope 2: electricity indirect emission sources (metric tons CO <sub>2</sub> -EQ.)*	6,585	7,119	8,984	18,595
CO <sub>2</sub> emission scope 1+2 (in tons)	24,966	24,232	25,898	35,519
Total production volume (in tons)	208,114	228,440	238,590	207,923
CO <sub>2</sub> intensity <sup>(1)</sup>	0.1200	0.1061	0.1085	0.1708

(\*) Scope 1 and 2 CO<sub>2</sub> emission/production volume.



## Scope 3 Greenhouse Gas (GHG) emissions

In 2017 Stahl made its first assessment of scope 3 emissions as per the GHG Protocol Corporate Value Chain Accounting and Reporting Standard. This exercise is designed to understand the full value chain impact of its activities and will help to focus efforts

on significant sources of Greenhouse Gas (GHG) emissions. In 2018, Stahl updated the material categories and their estimated CO<sub>2</sub> emissions.

	2019	2018	2017	2016	2015
Scope 3: estimation of the other indirect emission sources (million TCO <sub>2</sub> -EQ)***	500-530	560-590	560-590	500-530	N/A

## Scope 3 GHG emissions per category

	2019	2018	2017	2016	2015
Cat 1: Purchased goods and services	60%	62%	63%	59%	N/A
Cat 12: End-of-life treatment of sold products	25%	24%	23%	26%	N/A
Cat 4: Upstream transportation and distribution	10%	9%	9%	10%	N/A
Other (e.g. Capital goods, Downstream transport. and distribution)	5%	5%	5%	6%	N/A

## Scope 3 GHG emissions - mitigation

Purchased goods and services (60% in 2019) and 'end-of-life treatment of sold products' (25% in 2019) remain the largest sources of indirect (scope 3) CO<sub>2</sub> emission. Both categories are related to the input and output of materials in the production process. Opportunities to reduce these emissions are:

- selecting (base) chemicals with a lower CO<sub>2</sub>-footprint;
- increasing the renewable carbon content of the materials that are being used<sup>(1)</sup>;
- increasing longevity of end products that could reduce lifecycle CO<sub>2</sub>-emissions of end products.

Transportation of purchased goods is the third largest source of scope 3 emissions. Transportation of goods (Cat. 4) accounts for around 10% of Stahl scope 3 emissions. Based on the assumptions in the calculation of transport emissions, the major part of these emissions is air and road transport. Reducing these emissions could be achieved by:

- choosing a different mode of transportation. Road transport emits 10 times more CO<sub>2</sub>-emission per tkm than marine transport. Air freight emits 100 times the emissions associated with marine

transport. In particular, Stahl is actively looking for ways to minimize air freight shipments in favour of marine transport;

- stimulate transportation with cleaner vehicles (e.g. select transporters based on their sustainability achievements such as Dutch "Lean & Green" star rating);
- reduce transporting small quantities of goods. In 2019 Stahl consolidated its distributor network significantly, which means larger shipments to a smaller number of distributors.

## Energy

Stahl's energy consumption is the sum of electricity, gas, oil, steam, renewable briquettes and high speed diesel, consumed at their manufacturing sites (see below pie chart). Energy is reported as the total energy consumed in TJ and per production volume: the energy intensity.

There are many ongoing energy efficiency projects towards the Stahl goal of self-sufficiency and renewable energy sources. As production volume decreased in 2019 (ie: like for like), the energy per tons produced slightly increased, while total energy consumption in TJ is stable.

## Energy consumption

	2019	2018	2017	2016
Energy (TJ)	380	380	390	319
Share of renewable energy	36%	34%	34%	-
Total production volume	208,114	228,440	238,590	207,923
<b>Energy intensity (TJ)*</b>	<b>0.00182</b>	<b>0.00166</b>	<b>0.00163</b>	<b>0.00153</b>

\* Total energy consumption/total production volume.

(1) Biogenic materials does not necessarily lead to a lower carbon footprint from a life cycle perspective, because production and processing of biogenic materials in some cases can be more (fossil) energy intensive.

#### 4.3.4.5.2 Water

CSR Risk	Description	Mitigation policies and actions	KPIs	2018	2019
Impact on water resources	Risk of insufficient water for the process and water supply cuts from local network	Water management	Water intensity (m <sup>3</sup> consumed/ton produced)	1.510	1.588

Water is a strategic focus for Stahl and the company dedicates significant resources into researching the reduction of water use, the introduction of water-based products, improving the quality of water effluent and reducing water pollution.

Stahl's objective is to enhance the quality of water and avoid water pollution linked to its products.

Stahl uses water for 2 main reasons:

- commercial Stahl products using water based technology (where water replaces petrochemical-based solvents);

- water used by Stahl manufacturing sites (cleaning tanks, pipes and for processing, heating & cooling), as well as labs and offices.

Stahl uses water from the municipality (public water) and ground water. The company also invests significantly into projects and technology designed to reduce water consumption and water pollution in the supply chain, in particular the customers' supply chains.

Stahl consumed less water in 2019 because production volumes were slightly lower but also because of efficiencies at the sites. Water consumed per tons produced decreased, so water efficiency improved.

#### Water consumption

	2019	2018	2017	2016
Water consumption (m <sup>3</sup> )	330,649	344,922	370,855	355,041
Other water use (m <sup>3</sup> )	460,097	456,820	561,788	506,056
Total water used (m <sup>3</sup> )	790,746	801,742	932,643	861,097
Total production volume (tonnes)	208,114	228,440	238,590	207,923
<b>Water intensity*</b>	<b>1.588</b>	<b>1.510</b>	<b>1.554</b>	<b>1.708</b>

\* Total water consumption/total production volume.

#### 4.3.4.5.3 Waste

CSR Risk	Description	Mitigation policies and actions	KPIs	2018	2019
Hazardous waste management	Risk of significant increases in hazardous waste generated at Stahl sites and inadequate management of their end-of-life	Waste reduction	Waste Water sent to external treatment (ton)	15,620	14,397
		Waste management strategies	Waste intensity	0.056	0.062

Stahl policy is to reduce the impact of its operations and products on the environment by preventing pollution through waste management strategies that promote waste minimization, re-use, recovery and recycling, as appropriate. Waste reduction and finding useful outlets, especially avoiding waste, are important from an economic and environmental point of view. The circularity approach is getting more and more attention and Stahl's ambition for waste and water is to achieve a high level of circularity. Circularity is based on the principle that a closed loop system

requires (no or less) resources, since "waste" is input (raw material) instead of waste.

Disposal of waste is considered only as a last resort for Stahl and it has begun to regard waste more and more as a by-product, with value for other uses. It is also installing water treatment facilities at manufacturing sites which do not have such them. This will effectively reduce the amount of wastewater (classified as hazardous waste) sent to third parties for treatment.

Stahl reports and actively aims to reduce both hazardous waste and non-hazardous waste. Hazardous waste originates from rejected products/raw materials, waste from process installations

(eg sludge from waste water treatment), waste from laboratories and empty used packaging. Non-hazardous waste includes glass, paper, wood, plastic, domestic and demolition waste.

The slight increase in waste intensity is caused by the decrease in production volumes.

	2019	2018	2017	2016
Hazardous waste (tons)	11,302	10,962	10,538	9,748
Non-hazardous waste (tons)	1,521	1,807	1,584	1,476
Total waste (tons)	12,824	12,769	12,122	11,224
Total production volume (tons)	208,114	228,440	238,590	207,923
<b>Waste (total) intensity*</b>	<b>0.062</b>	<b>0.056</b>	<b>0.051</b>	<b>0.054</b>

\* Total waste (hazardous + non-hazardous)/ total production volume.

	2019	2018	2017	2016
Waste water send to external treatment (tons)*	14,397	15,620	18,124	15,038

## Environmental provisions

At end of 2019, Stahl's environmental provision for land pollution was €0.64 million.

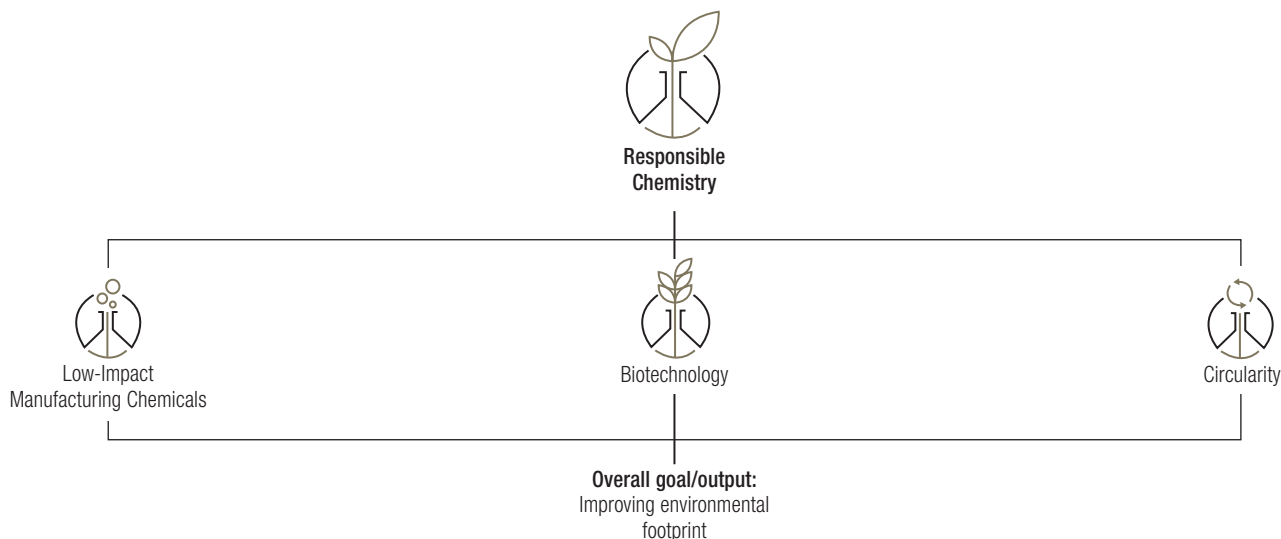
### 4.3.4.5.4 Responsible Chemistry

CSR Risk	Description	Mitigation policies and actions	KPIs	2018	2019
Increasing demand and regulation for sustainable chemical products	Products not aligned to the requirements of brands, NGOs & consumer	Regulatory watch & product stewardship	ZDHC compliant products (number of products in the ZDHC gateway), highest conformance level	N/A	1,274
	Customers causing environmental contamination with Stahl's chemical	Industry governance and initiatives (like ZDHC)	Share of finishing and coatings-related products that are water based	85%	76%
	Unavailability of chemical raw materials due to regulation related to environmental or human health.	Stahl's Responsible chemistry policy	Share of R&D projects on the elimination of restricted substances (% total projects)	25%	18%
		R&D			

Stahl has identified risks linked to innovation and the ESG performance of its products due to the increasing demand and regulation for more sustainable chemistry. With many R&D centres around the world, employing over technical staff, Stahl's product research is aimed at providing high performance solutions that

reduce environmental impact. Stahl introduced its Responsible Chemistry Policy in 2019, which is aimed at fulfilling the requirements of consumers and brands on product environment footprint and mitigating the identified risks related to ESG performance listed in table 1 of this report.

Fig.2: Responsible Chemistry



Responsible Chemistry classifies the environment benefits of Stahl technology into three categories:

- **low Impact Manufacturing Chemicals:** refers to the impact of chemicals on human health and the environment. For example, chemicals compliant to the ZDHC Manufactured Restricted Substance List fall into this category, as measured by their level of compliance in the ZDHC Gateway® portal. Other products that represent an environmental footprint reduction for Stahl and its customers are also included in this group, for example via reduced water pollution or energy consumption. KPI;
- **biotechnology:** refers to chemistry derived from bio-based or renewable carbon resources (as opposed to fossil-fuel based or depleting resources). Stahl's bio-based polyurethanes and the Proviera Probiotics for Leather® portfolio, both fall into this category;

- **circularity:** refers to products or technologies that contribute to the repair and prolongation of materials, and products derived from waste or by-products which would otherwise be thrown away. Products that allow for successful composting and biodegradation of materials would also be included in this category.

The number of Stahl products listed (publicly) at Level 3 in the ZDHC Gateway portal (as of January 2020) is 1274, which represents all products in the (non-automotive) global Leather Chemicals portfolio, and a large share of Stahl's total product portfolio. Level 3 is the highest level of compliance defined and represents a significant milestone for Stahl.

## 4.3.4.6 Governance

## 4.3.4.6.1 Human rights, modern slavery, corruption, bribery risks

CSR Risk	Description	Mitigation policies and actions	KPIs	2018	2019
Corruption and bribery	Risk of corruption, bribery, modern slavery in Stahl's supply chain	Stahl Code of Conduct and Stahl Business Partner Code of Conduct	Share of employees trained on these subjects	Compliance training > 50%	Compliance training, only new employees
	Risk of corruption, bribery, modern slavery in Stahl	Whistleblower policy		Course corporate policies: n/a	Course corporate policies: 90.4%
		E-learning training programs			
		Due diligence questionnaire			
		EcoVadis Business Sustainability Ratings (for suppliers)			
		Accounting procedures for anti-corruption	Whistle blowing - Number of cases treated	100% (2 cases)	100% (5 cases)

Stahl has identified corruption, bribery and modern slavery as a CSR risk in Stahl's operations and supply chains, as described in Table 1 of this report. Stahl's Code of Conduct ensures that human rights and the environment are respected by those parties with whom Stahl does business. Related to this, a whistle blower policy is in place with clear rules that allow employees to report suspicious behaviour that could be in conflict with the Code of Conduct, with the necessary protection guarantee for the whistle blower in question.

Stahl executed e-learning training programs in 2017 and 2018, focused on anti-bribery, anti-corruption and modern slavery in which special attention was given to awareness and red flags that can indicate non-compliant behaviour in the company or in the supply chain. Further mandatory training on Stahl's Compliance policy took place in 2019 thanks to the new EEP described in the Human Resources chapter of this report.

Stahl's Business Partner Code of Conduct is agreed and signed annually with commercial business partners like suppliers and distributors and agents. In 2019 Stahl began due diligence on the Code of Conduct by auditing selected suppliers on its implementation. The scope of Stahl's supplier due diligence will be amplified in 2020 by using the Ecovadis ratings system, which is already used throughout much of the chemical industry supply chain.

In 2019, Stahl published 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.

## 4.3.4.6.2 United Nations Sustainable Development Goals

Stahl is committed to the guiding principles of UN Global Compact, the world's largest corporate sustainability initiative. With this commitment Stahl confirms the alignment of its strategy and operations with the universal principles of human rights, labour, environment and anti-corruption. Stahl is also committed to the 17 Sustainable Development Goals (SDG's) announced at the UN General Assembly in 2015. Its activities link to the SDG's are listed below.

- **Poverty:** In addition to local community philanthropy, Stahl is involved in wider industrial development in emerging regions with NGOs and governments. As an example, a Public Private Partnership between Stahl, Solidaridad and PUM that was launched in 2017, in Kanpur, India, is progressing well. The five-year project is focused on reducing water pollution, and its success will have an impact on securing jobs linked to the local leather industry in Kanpur, which has been severely threatened by forced closures in 2019 due to non-compliance with respect to environmental pollution.
- **Good health:** Stahl has committed to initiatives that will eliminate restricted substances from the supply chain, like the Zero Discharge of Hazardous Chemicals foundation, of which the company is a member since 2016. In January 2020 Stahl confirmed the highest (Level 3) level compliance for its leather chemicals portfolio to the ZDHC Gateway conformance standard for restricted substances.
- **Education:** Stahl Campus® was established to promote good practices throughout the supply chain (see the section Education & Training). Stahl also actively promotes the safe handling of chemicals and conducts seminars on this topic in emerging regions. The company holds regular Sustainability Seminars on CSR topics at leather manufacturing clusters around the world or to groups of stakeholders in the supply chain. In 2018 Stahl Campus® India (Kanpur) was opened to support the Public Private Partnership focused on water pollution reduction in the Ganges.

- **Gender Equality:** Stahl's Diversity and Inclusion policy was communicated in 2018 and is summarized in this report.
- **Clean Water & sanitation:** The company has successfully introduced effluent-reducing technologies like Proviera® - Probiotics for Leather™, Stahl NEO, Stahl EVO and Catalix® as well as water-reducing technologies like Easy White Tan®. The Public Private Partnerships launched in Kanpur, India and Ethiopia are also driven by a strong desire to reduce water pollution in the markets that the company serves.
- **Renewable Energy and Climate Action:** Stahl's goal of a 10% reduction in CO<sub>2</sub> emissions by 2020 (in line with the 2015 Paris Climate Agreement) was achieved in 2019. This implies the adoption of renewable energy sources and raw materials, as well as energy efficient technologies at its sites. Beyond this, Stahl has begun to use solar panels at its site in Brazil as part of a longer term goal of sourcing from on-site renewable energy, not only from the green electricity network.
- **Jobs, economic growth:** The Public Private Partnership in Kanpur, India, is one example of its commitment to sustainable economic growth. The EU funded project aimed at promoting efficient technologies for the Ethiopian leather industry is another. Both projects are focused on reducing pollution which has a direct connection with securing sustainable economic development and therefore jobs for the local industries. Without such pollution control initiatives, companies in these sectors would fail and eventually be forced to close.
- **Reduced Inequalities:** Stahl's Code of Conduct was implemented in 2015 and the Stahl Diversity and Inclusion policy was implemented 2018. E-training courses were conducted and completed by all employees in 2019 on diversity and anti-corruption.

#### 4.3.4.6.3 Trusted Partnerships

The company is proactively involved in many industry ESG initiatives, like the Leather Working Group (LWG), a multi-stakeholder association which develops and maintains an audit protocol that assess the environmental compliance and performance capabilities of leather manufacturers and promote sustainable and appropriate environmental business practices within the leather industry. The mission of the LWG is to raise the bar of environmental stewardship through its audit protocol for tanneries, to allow better choices to be made about sourcing leather. Audit implementation and its maintenance is the LWG's main activity and Stahl is a member of the Executive Committee, which currently consists of four clothing/footwear brands (Wolverine, VF Corporation, Louis Vuitton and Clarks), four leather manufacturers and one chemical supplier (Stahl).

Stahl is an active value chain affiliate of the Zero Discharge of Hazardous Chemicals (ZDHC) foundation, and became a bluesign® system partner in 2017.

#### 4.3.4.6.4 Non-profit activities in emerging countries

- A five-year Public Private Partnership (PPP) between Stahl, Solidaridad, and PUM was launched in 2017, in Kanpur, India (see SDGs).
- A PPP in Ethiopia, with several partners and NGOs, including is focused on pollution reduction in the tanning sector. Stahl's contribution to this project is training in cleaner technologies, via Stahl Campus® training on the relevant modules for workers and management at the tanneries.
- In 2019 a project was initiated in Bangladesh by three key members of the TEGEWA group of chemical suppliers (Stahl being one of them) and the Dutch NGO Solidaridad. Officially kicked off in Q1 2020, the project is focused on practical way to improve the safe handling of chemicals in the leather manufacturing cluster of Savar, in Dhaka, and is focused on the well-being of factory workers in the cluster.

#### 4.3.4.6.5 External education and training (Stahl Campus®)

Stahl is committed to filling the talent gap observed in some of the markets that the company serves by actively seeking ways to educate and train university students, NGOs, brands, suppliers, distributors, customers and other stakeholders in the supply chain. Stahl Campus® is the global knowledge center established by Stahl to achieve this. Started in 2014 in Waalwijk (Netherlands) & extended to León (Mexico) in 2015 and Guangzhou (China) in 2016, a new Stahl Campus® Center of Excellence was opened in Kanpur, India in 2019. The goal of Stahl Campus is to promote good practices and transparency throughout the supply chain by hosting trainees in Stahl's state-of-the-art laboratories to strengthen their knowledge via theoretical and practical training modules. Stahl Campus® is a key element of the company's strategy of promoting transparency throughout the supply chain.

In 2019, 842 people attended Stahl Campus® training courses around the world. Notably in 2019, the Automotive Leather Finishing Post Graduate Certificate course was held for the second time in Stahl Campus® Mexico - a six-week course (3 x 2-week modules held over the academic year) developed in collaboration with the University of Northampton (UK), in which students receive an official Post Graduate Certificate upon completion. This 2<sup>nd</sup> course will be completed in Q2 2020.

#### 4.3.4.7 Duty of Care

Stahl carried out a review of its risk assessment and control policies within the scope of the French laws on Duty of Care. This review covered the risks linked to its employees, suppliers and customers/external markets. Stahl has adopted governance policies covering health and safety, environment, human rights in order to mitigate such risks. These policies are included in the risk mapping section below.

##### 4.3.4.7.1 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. The Stahl Vigilance team meets periodically to monitor the effectiveness of the Vigilance plan.

#### 1. Risks linked to human rights and the societal impact of Stahl's activities, e.g. forced labour, freedom of association, modern slavery, discrimination, diversity and inclusion.

Stahl recognizes that modern slavery, corruption, diversity and discrimination need to be eliminated from its industry at all levels.

##### Mitigating the risk:

- Stahl's Code of Conduct for employees (introduced in April 2013) describes its commitment to a working environment where equal opportunity and respect are prioritized. The Stahl Employee Code of Conduct has chapters on modern slavery, conflicts of interest, business practices, data and IP protection, financial reporting and also outlines the whistleblower rules;
- the Stahl whistleblower policy allows employees to report suspicious behaviour, by e-mail or phone, which could be in conflict with the Code of Conduct, with the necessary protection guarantee for the whistleblower in question. An email address dedicated to report suspicious behaviour by external parties is publically available on the website;
- Stahl introduced a Code of Conduct policy in 2015 for its business partners, and it initiated supplier audits in 2018 as a means to mitigate the risks of non-compliance with the Code of Conduct. This supplier auditing process will be upgraded and formalized in 2020 using the Ecovadis system of self-assessment. The Code of Conduct is already standard part of all commercial agreements and contracts with third parties doing business with Stahl. Both Codes of Conduct are discussed during the monthly Management Team and quarterly meetings with the Quarterly Executive Control Group;

- the company implements a separate policy on diversity and inclusion in the workplace (Stahl group Diversity and Inclusion Policy). The policy commits to embedding equality, diversity and inclusion across the organization rather than viewing it as an abstract principle. Equal treatment is at the heart of the organization and Stahl believes that this will produce a more innovative and responsive organization. The company also believes 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 different viewpoints and ideas;
  - consistent with its strategy of growing its leadership talent, Diversity and Inclusion principles have also been embedded within its core leadership development programs to encourage managers to demonstrate them as part of their leadership behaviour. Stahl has also committed to build cultural intelligence and equality into its performance review, hiring and talent identification processes;
  - the company runs online training courses to ensure that employees understand the issues of modern slavery, diversity, discrimination, equal treatment, sexual harassment etc., with regard to their own behaviour and that of the company's business partners. To complete the e-learning training, participants are required to study the material and take a test at the end. Special attention is given to awareness in these programs, and to the red flags that can indicate non-compliant behaviour in the supply chain. All employees received further compliance training in 2019 as part of the Employee Engagement Platform (EEP) as described in the HR chapter of this report.
- #### 2. Risks linked to the health and safety of employees & contractors, including accidents, injuries, illness, exposure to chemicals.

The risks in this category range from injuries to employees from slips or falls, to more significant accidents involving chemical spills, machinery operations or exposure to dangerous substances. These are well known in the (heavily regulated) chemical industry and Stahl holds itself to the highest health and safety standards in this respect.

##### Mitigating the Risk:

- Stahl is confident that the residual risk specific to its own activities related to safety and health is low, given the highly regulated nature of the chemical business and additional actions taken by Stahl to mitigate these risks;
- the chemical industry is governed by strict legislation, permits and licenses. External organizations, including governmental bodies, ISO and many industry initiatives, visit and audit Stahl on a regular basis;

- Stahl has a strict SHE (Safety, Health and Environment) policy that sets clear rules, guidelines and KPIs for all its manufacturing sites and work places. With regards to safety Stahl has drawn up a zero tolerance policy towards unsafe acts;
- the Stahl Code of Conduct for business partners includes a health and safety section;
- auditing of Stahl sites is continuous and reporting on safety and health, including accidents and incidents, is done monthly and annually;
- training courses are held continuously throughout the company on chemicals management and handling of flammable materials;
- the use of CE certified equipment is mandated as well as associated training;
- Stahl has identified safety and health risks at customers who use its chemicals, and this also requires action for mitigation, given the potential harm caused by its products to people working at those organizations. Indeed many of its customers work in environments which are not as highly regulated as the chemical industry. Stahl has taken action, either alone or in conjunction with other peer companies and NGOs, to train users in these cases on (1) the safe use of chemicals, (2) the correct use of personal protective equipment, and (3) communicating clear rules on exposure prevention for potentially harmful chemicals. In addition to this, Stahl itself regularly hosts seminars around the world, for example in India, Pakistan and Bangladesh, which are attended by large groups of customers, which are focused on safety, health, environmental stewardship and sustainability in general. In 2019 Stahl initiated a project as part of the TEGEWA group of chemical suppliers in Bangladesh, in conjunction with the Dutch NGO, Solidaridad, on improving the safe handling of chemicals in the leather manufacturing area in Dhaka. Using its knowledge, and that of governance bodies like UNIDO, Stahl hopes to improve the well-being of factory workers in the cluster via practical training on the use of protection equipment and knowledge training on the use and handling of typical chemicals used in the industry;

**3. Risks linked to protection of the environment, e.g. air & water pollution, water consumption, waste management, restricted chemical substances, climate change, biodiversity, local community impact.**

These risks are linked to unplanned releases to the environment of hazardous materials from Stahl sites, as well as the risks linked to the environmental stewardship practices of its partners in the supply chain, especially those who use its products in their manufacturing operations.

Mitigating the risk:

- Stahl recognizes the challenges for the planet and has aligned its policies to the 17 Sustainable Development Goals agreed by the United Nations in 2015, and to the targets outlined in the Paris Climate Accord;
- climate change: in 2015, Stahl established a 5 year target for CO<sub>2</sub> emissions reduction (less than 10%). The company achieved that target in 2019. CO<sub>2</sub> emissions are reported each quarter, and in the annual Stahl ESG report;
- Stahl's strict SHE policy covers the risks linked to spills or releases into the environment, including a dedicated spill team who are trained regularly;
- spills, releases, incidents and environmental KPIs (CO<sub>2</sub>, energy, water, waste) are reported and analysed monthly;
- environmental stewardship in the supply chain: Stahl's corporate strategy is to initiate projects that promote transparency throughout the supply chain. This includes the promotion of responsible environmental practices in the industries that the company serves. As an example, Stahl is a Board member of the Leather Working Group, the largest leather industry association. The Leather Working Group (LWG) has developed an audit protocol for leather tanneries around the world in order to level the playing field and create a recognized standard for environmental stewardship. Approximately 20% of the world's leather is audited according to the LWG protocol. Stahl also hosts annual seminars in India, Pakistan and Bangladesh, attended by large groups of customers, NGOs and industry associations, during which safety, health, housekeeping and environmental stewardship issues are presented and discussed in detail;
- Stahl's global portfolio for the garment fashion & footwear segments has been certified as compliant to the ZDHC MRSL. Approximately 1200 products have been certified at Level 3 compliance to the ZDHC Gateway conformance, the highest compliance level.

#### 4.3.4.8 Stahl Reporting methodology

##### 4.3.4.8.1 Reporting scope

- Unless otherwise indicated, HR data are reported for all Stahl entities worldwide.
- Reporting scope - history for environmental data.

Site	2019	2018	2017	2016	2015
Brazil, Portao	Y	Y	Y	Y	Y
China, Suzhou	Y	Y	Y	Y	Y
France, Graulhet	Y	Y	Y	-	-
Germany, Leinfelden	Y	Y	Y	Y	Y
India, Kanchipuram	Y	Y	Y	Y	Y
India, Ranipet	Y, until & including June	Y	Y	Y	Y
Italy, Palazzolo	Y	Y	Y	Y	Y
Mexico, Toluca	Y	Y	Y	Y	Y
Netherlands, Waalwijk	Y	Y	Y	Y	Y
Singapore, Singapore	Y	Y	Y	Y	Y
Spain, Hospitalet	Y, until and including June	Y	Y, from October onwards	-	-
Spain, Parets	Y	Y	Y	Y	Y
USA, Calhoun	Y	Y	Y	-	-
USA, Peabody	-	-	Y, until and including September	Y	Y

Y=Yes, full year and - = not reported.

#### Methodological limitations and uncertainties

The reporting methods for certain CO<sub>2</sub> indicators for Scope 3 emissions may have certain limitations due to the pragmatic considerations of collecting and consolidating the relevant data.

#### 4.3.4.8.2 Social indicators

##### Total workforce

The total workforce is the number of employees with a permanent or fixed-term contract with the Stahl group on the last calendar day of the month. The data are reported in terms of full-time equivalents.

#### 4.3.4.8.3 Safety indicators

##### Population considered

In the KPI preparation, the following types of population are considered:

- contractor specific: A contractor present at Stahl only for specific projects or works;
- contractor usual: A contractor present at Stahl on a regular basis. i.e. maintenance personnel, security guards or personnel working in the canteen;
- Stahl worker: any person having a personal work contract with Stahl.

Based on this definition, the influence of workers in the KPIs is as follows:

Relation with Stahl	Reported by site in case of injury	Consideration in Stahl SHE&PS Injury KPIs	Consideration in Stahl SHE&PS Days lost, LTI KPI and Severity Rate
Stahl Worker	YES	YES	YES
Usual Contractor	YES	YES	NO
Specific Contractor	YES	NO	NO

The reasons for these criteria, are summarised as follows:

- in terms of injuries (Injuries KPIs), when a "specific contractor" is at Stahl, it means that he or she is at Stahl only for specific tasks for a short time, not on a regular basis. If there is an injury to a specific contractor, it is reported, investigated, managed and the necessary actions taken, but it is not included in the Stahl injury KPI calculation. These injuries are entered into the management system in terms of permits, coordination of activities and supervision. Though specific contractor behaviour is their own responsibility, if Stahl identifies a contractor misbehaving in terms of safety, the company will prohibit that person from working at Stahl for a defined period of time or permanently;
- some contractors work at Stahl on a regular basis (e: daily). For this reason, they are more involved with Stahl and, in a sense, operating under its management system and criteria. If one of these "usual contractors" gets hurt in an incident, it is reported and included in the company's injury KPI calculation;
- in terms of lost time (LTI KPIs), contractors are defined as workers from an external company with which Stahl has a service contract. If any such contractor is injured, the service company provides a replacement the next day, ensuring that the service is not interrupted. In this sense is the service company may report lost time but contractors are not (neither specific nor usual) included in Stahl's 'number of days lost' KPI.

#### Total Recorded Injuries Frequency Rate

The total recorded injuries (TRI) 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.

#### Lost-time injury frequency rate

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.

#### Severity rate

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.

#### 4.3.4.8.4 Environmental indicators

##### Carbon Footprint

The carbon footprint is calculated according to three scopes of emissions:

- direct Greenhouse Gas (GHG) emissions are those that occur from sources that are owned or operationally controlled by the company—company owned or leased cars, other company vehicles, gas and oil used on its sites (Scope 1);
- indirect emission sources related to energy (in the form of electricity, steam, heat and cooling) are purchased from the grid or district (Scope 2).
- expected other indirect emission sources (scope 3) following the Green House Gas protocol.

The source of its emission factors are:

- oil: guidelines for National Greenhouse Gas Inventories, volume 2,
- gas: guidelines for National Greenhouse Gas Inventories, volume 2,
- coal: guidelines for National Greenhouse Gas Inventories, volume 2,
- steam: emission Factors for Greenhouse Gas Inventories,
- electricity: Ecometrica (2011) electricity-specific emission factors for grid electricity;

The carbon footprint data is reported annually.

##### Approach and methodology CO<sub>2</sub> scope 3

Stahl reports its scope 1 and 2 emissions each year. Indirect scope 3 emissions have been quantified in 2017. Stahl worked with an external consultant to calculate its scope 3 CO<sub>2</sub> emissions for the year 2017 and to provide the company with a model to calculate its scope emissions on a yearly basis in the future, that was used for the estimation of the emission in 2018. This report contains a summary, which is required to report on following the GHG Protocol "Corporate Value Chain (Scope 3) Accounting and Reporting Standard (chapter 11)".

**Standard**

Stahl's scope 3 emissions have been quantified based on the GHG Protocol "Corporate Value Chain (Scope 3) Accounting and Reporting Standard". This standard lists 15 sources of scope 3 emissions.

Category	Methodology
Cat 1: Purchased goods and services	Emissions related to raw materials have been estimated based on top 30 raw materials purchased, Top 15 chemical Groups and top 10 types of packaging used.
Cat 12: End-of-life treatment of sold products	End-of-life emissions from sold finished goods have been estimated by assuming a carbon content of 80% and the assumption that all finished goods ( <i>i.e.</i> coatings on leather) will be incinerated at the end of the product lifecycle.
Cat 4: Upstream transportation and distribution	Available transport data for Waalwijk, including information about weight, destination, type of transport (internal/external, paid for by Stahl or not) and mode of transport, has been extended to include estimations for travelled distance per destination.  Distances by truck have been estimated using Google Maps.  Intercompany trips were adjusted for by a correction factor of 50%.  Extrapolation from Waalwijk data to Global data has been done based on the amounts (kg) shipped from Waalwijk versus amounts shipped globally.

For CO<sub>2</sub> eq emissions from scope 1, 2 and 3, there are uncertainties due to the intrinsic uncertainties from emission factors.

Stahl reports Scope 3 emission in a range of 30 million CO<sub>2</sub> eq, since indirect emissions are an estimated calculation as per the GHG protocol.

**Energy**

The energy consumption includes all energy sources consumed by the Stahl production sites around the world. The figures indicated do not include energy consumed by offices and laboratories that are not geographically connected to one of the production sites.

**Water**

The water consumption includes all water sources consumed by the Stahl production sites around the world. The figures do not include water consumed by offices and laboratories that are not geographically connected to one of the manufacturing sites.

The "Other water consumed" indicator is related to the Palazzolo site in Italy. There Stahl is using water in addition to the usual consumption for cooling, to help the community to maintain the low level of groundwater. Water is taken and resented to the well without any contamination, and thus does not contribute to water scarcity.

**Waste**

The waste indicator includes all hazardous and non-hazardous wastes generated by the Stahl production sites around the world. The figures do not include waste generated by offices and laboratories that are not geographically connected to one of the production sites.

Furthermore, Stahl reports wastewater that is sent to an external treatment center. This data only relates to the sites in Waalwijk and Toluca. The other manufacturing sites have their own wastewater treatment plant.

**Consolidation and internal controls**

The HR and SHE departments are responsible for consolidating social and safety data based on the information provided by the industrial group.

At each industrial site, the SHE Manager reviews safety and environmental data reported before the group-level consolidation is performed.

The social data relating to the workforce are compared against the consolidated data in the group's finance database for consistency.

## 4.3.5 Tsebo

### 4.3.5.1 Introduction

#### 4.3.5.1.1 Tsebo overview and business model

Founded in 1971 in South Africa as a food services company, the Tsebo group is now the leading workplace management solutions provider in Africa. Tsebo employs circa 38,000 people and operates on over 7,500 customer sites in 27 countries.

Tsebo's values are at the heart of its culture, and reflect the company's priorities:

- integrity: embrace highly ethical, moral and respectful behaviour, without exception;
- enterprising: seek opportunity, be responsive, strive for continuous improvement and nurture an entrepreneurial mindset;
- caring for people, communities and the environment;
- diligent: be rigorous, efficient and dependable.

Tsebo offers to its clients (companies and organizations) a wide range of integrated solutions including maintenance, facilities management, catering, cleaning and hygiene, energy management and security. Tsebo also specializes in remote camp services.

It operates in both the public and private sectors across numerous market segments such as financial services, resources, manufacturing, healthcare and service companies.

The following principles underpin the Tsebo brand:

- productivity: Tsebo manages functions that are not part of its customers' core business but that are essential to their operations. These services enable its customers to address the difficulties in penetrating African markets in all tranquillity, reduce their costs, improve their profitability and focus on growing and developing their business in Africa;
- measurability: Tsebo supplies its customers with tangible, quantifiable solutions: lower costs, added value, adherence to quality standards, reduction of risk, clear sales terms and quality customer service;

- innovation: Tsebo encourages and develops innovation in all of its divisions so as to improve the quality of service provided to customers;
- social development: Tsebo strives to create economic and social value for African people and communities. The company collaborates with customers so as to help develop skills, rural enterprises, local small to medium enterprises and entrepreneurship. Tsebo fosters socially responsible investment initiatives and supports various charitable causes;
- sustainable development: By making sustainable development central to its business, Tsebo is attentive to environmental protection and to the interests of local communities and in this way, promotes collective well-being;
- governance and ethics: Tsebo embraces a highly ethical, moral and respectful behaviour, without exception. Tsebo adheres to all applicable in-country legislation where Tsebo has operations. Tsebo has a commitment to time-honoured value of doing the right thing consistently regardless of the circumstance.

With their numerous service offerings, Tsebo is required to comply with an array of industry legislation and regulations, namely; the Occupational, Health and Safety Act, National Environmental Management Act, the Employment Equity Act and the Prevention and Combatting of Corrupt Activities Act. The nature of the acts requires Tsebo to identify risk factors, assess them and implement the appropriate mitigation policies. The legal, compliance and risk divisions at Tsebo ensures the application and implementation of these processes.

In 2018, Tsebo, as a company with the Wendel Group, put in place the provisions from the law on the Duty of Care and set out the aims relating to the requirements for the Duty of Care in a Vigilance Plan. This plan has been updated for 2019.



## 2019 REVENUE

**\$587m**

## VISION

To be the Afric Middle East Leader in integrated Workplace Management Solutions and the partner of choice for clients operating in the region

## MISSION

"To provide our clients with Workplace solutions that support their success, whilst creating opportunity for upliftment for our people and communities"

## VALUES

Integrity  
Enterprising  
Caring  
Diligent

## ENVIRONMENTAL PERFORMANCE

**Waterless cleaning**

**Improved environmental packaging**

**Energy - saving**  
across divisions to minimize electricity usage and GHG emissions

**Digitization**

## KEY

Key partners External resources Internal resources



## SHAREHOLDER GOVERNANCE

SHAREHOLDERS : WENDEL (66.5%),  
CAPITAL GROUP (33.5%)

BOARD OF DIRECTORS

**5 members**

**60%**  
of independent

**60%**  
of women

## HUMAN CAPITAL

**38,000**

employees in 27 countries

- 40% men / 60% women
- 78% South Africa
- RSA B-BBEE Level 1 Certificate
- 49 Tsebo offices in Africa

## INTELLECTUAL CAPITAL

**Tsebo skills academy**

## RESOURCES

## PROCUREMENT

1. Food & Beverages	55%	4. Cleaning & Hygiene	4%
2. Hard and Soft Services	30%	5. Automotive	1%
3. Light & Heavy Equipment	10%		

Tsebo offers to its clients a wide range of integrated services.  
Tsebo also specializes in remote camp services.

## USE OF RESOURCES

DIVISIONS	Facilities (TFS)	Catering	Cleaning
BRANDS	<ul style="list-style-type: none"> <li>• Tsebo</li> <li>• TseboRapid</li> <li>• Backbone Management</li> </ul>	<ul style="list-style-type: none"> <li>• Tsebo</li> <li>• Fedics</li> <li>• TsAfrica</li> </ul>	Tsebo

## SALES

**26%**      **29%**      **11%**  
75% of the revenue in South Africa

## OUTPUT

## CLIENTS

**7,462**      **100m**  
client's sites      meals served per annum



## OPERATIONAL GOVERNANCE

13 members

23% of women

43,832

training interventions  
in 2019CERTIFICATIONS  
/ MANAGEMENT  
SYSTEMSISO 9001  
Quality ManagementISO 14001  
EnvironnementISO 22000  
HygieneOHSAS 18001  
HACCP  
Health & SafetyServices : maintenance, facilities management, catering,  
cleaning and hygiene, energy management and security

## Security

International  
(outside of South Africa)

Thombum

## Remote Camps

- Tsebo, ATS
- Tsebo Servco

All divisions are present outside  
of South Africa

9%

25%

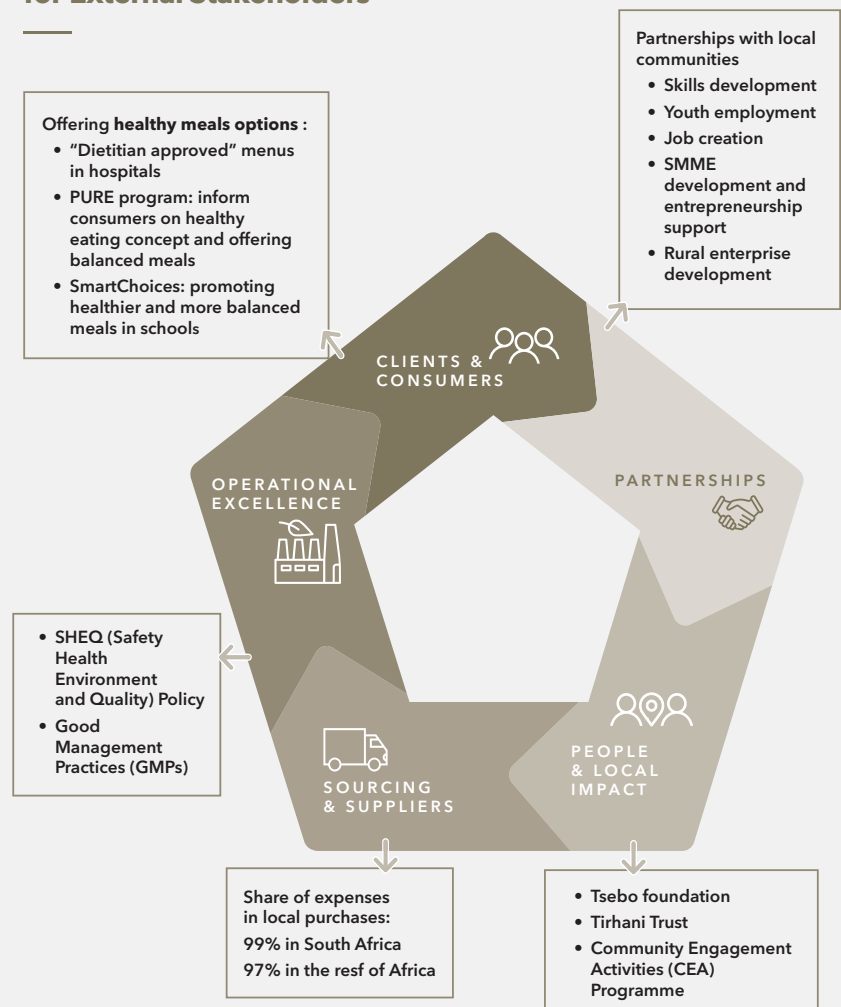
Oil & Gas - Mining & Resources - Corporate & Financial  
Services - Manufacturing - Healthcare - Education - Leisure  
& Entertainment - Retail & Wholesale - Public SectorValue creation  
for External Stakeholders

## Offering healthy meals options :

- "Dietitian approved" menus in hospitals
- PURE program: inform consumers on healthy eating concept and offering balanced meals
- SmartChoices: promoting healthier and more balanced meals in schools

## Partnerships with local communities

- Skills development
- Youth employment
- Job creation
- SMME development and entrepreneurship support
- Rural enterprise development



#### 4.3.5.1.2 Risk Mapping

Updating of the extra-financial performance declaration (EFPD) required the performance of a risk assessment, to ascertain whether the 2018 risks were still applicable. Once Tsebo assessed whether the existing risks were still applicable to the business, those risks were updated with the progress made in 2019, relating to the mitigation thereof. Tsebo, considered previous incidents and associated risks that were faced in the business over the last year in the determination of the relevance of selection. Once the applicability of risks was established Tsebo considered which risks were inherent to their environment both from an operational, financial and compliance perspective. Then, they assessed these risks by evaluating the financial and extra-financial impact and the likelihood of occurrence.

In this exercise, internal consultations with the human resources, compliance, legal, health and safety at work, and purchasing departments were conducted. These assessments were done at a group level for Tsebo Solutions Group.

#### 4.3.5.1.3 Overview of Tsebo's extra financial risks, policies and key indicators

The following table presents an overview of the extra financial risks identified by Tsebo. The table presents a short summary of the policies implemented by Tsebo to mitigate the risks identified, the Key Performance Indicators defined to monitor the policies, as well as the results for these indicators for the year 2019. Finally, the table indicates which paragraphs should be referred to in order to have more information on these.

CSR Topics	Extrafinancial risks	Description	Mitigation policies and actions	KPIs	Related Paragraph
<b>HEALTH &amp; SAFETY</b> (Wendel historical priority)	Occupational health and safety	Due to the nature of Tsebo's operations, it faces the risk of employees being injured due to the lack of safe work practices.	Good management practices. Safe operating procedures. The health and safety handbook. Reporting of incidents policy. Weekly toolbox talks.	Lost Time Injury Frequency Rate (LTIFR). Severity rate of accidents (LTISR).	4.3.5.3.1
	Health and safety of consumers	Injuries and diseases of customers due to food borne diseases, caused by unsafe practices.	Good Management Practices. Food Safety Manual. Food safety audits.	Number of Catering sites audited for food, health and safety.	4.3.5.3.2
<b>ESG PERFORMANCE OF PRODUCTS AND SERVICES</b> (Wendel historical priority)	Nutrition	Inability to meet clients' demands in healthy meal options (particularly for schools and hospitals).	Healthy options available to clients.	None	4.3.5.4.1
<b>SOCIAL</b>	Labour relations	Labour claims following unfair labour practices.	The Tsebo HR disciplinary handbook. The Tsebo HR grievance policy.	Number of labour referrals (monitored but not disclosed). Financial loss due to labour claims (monitored but not disclosed).	4.3.5.2.2
<b>SOCIAL</b>	Diversity and discrimination.	Tsebo could risk losing its level 1 Broad-Based Black Economic Empowerment (BBBEE) status and have reputational damage caused from not adhering to the Employment Equity Act (EE Act) requirements.	The Tsebo HR eight minimum standards.	Retention of its Level 1 BBBEE status.	4.3.5.2.3

CSR Topics	Extrafinancial risks	Description	Mitigation policies and actions	KPIs	Related Paragraph
<b>SOCIAL</b>	Training	The lack of adequate training on the correct topics for employees will lead to Tsebo having an unskilled workforce that is unaware of the policies, procedures and mechanisms in place in the company.	Learning and development strategy and standards. Learning and development policy. Tsebo Skills Academy.	Positive outcome of Sector Education Training Authority (SETA) audits. Number of training interventions. BBEE score on Skills Development. Training budget and spend.	4.3.5.2.4
<b>SUPPLY CHAIN</b>	Procurement	Doing business with a supplier that does not adhere to Tsebo's values in terms of health, safety, the environment, anti-corruption and anti-bribery (ABAC) and human rights.	The supplier audit policy. Corruption & Bribery: ABAC & HSE requirements in the Supplier Agreements.	Supplier audit results.	4.3.5.4.2
<b>GOVERNANCE</b>	Anti-Bribery and Anti-Corruption	Failure to prevent bribery and corruption.	Code of Conduct and good business conduct policy. Gift policy. Gifts disclosure form. Anti-bribery and Anti-corruption policy. ABAC training. Annual newsletters and awareness mailers. Tip-Offs Anonymous hotline. Outside business interest declarations.	The number of tip-offs received from the Hotline relating to bribery and corruption.	4.3.5.4.3
<b>ENVIRONMENT</b>	Food waste	Inadequate food management processes and practices resulting in high levels of food wastage.	Food waste policy. Environmental policy. Good management practices.	No KPI.	4.3.5.5.1

#### 4.3.5.2 Human Resources

##### 4.3.5.2.1 General information

Tsebo recognizes that the sustainable growth of the business depends on the quality of its Corporate governance, the professional development and engagement of its employees, proactive management of risks and sound partnerships that are built with customers and local communities.

During 2019, significant improvements have been made to achieve greater accuracy of employee information and enhancing Tsebo's ability to improve Human Resource (HR) service delivery and management information.

Tsebo implemented an HR information and management system which interfaces with payroll, the system ensures governance in terms of managing the employee end-to-end lifecycle and employee records. This is managed internally within the HR department using centralised compensation and benefits hubs. Robust HR processes and well documented transactions limit the risk of inaccurate data and further ensures compliance to labour legislation. The Employee and Management Self-Service (EMS) platform has also been rolled out, enabling employees to electronically access and update personal information and manage leave. The EMS system also allows employees to retrieve their payslips and other personal documentation.

An additional process enhancement is the automation of leave through a biometric rostering system that interfaces with the employee payroll. This has resulted in more accurate scheduling and leave management.

A similar process has been adopted in Egypt as they migrate from SAP to Dynamix 365. This migration will allow a group wide system that harmonises the HR process throughout the group.

Pay Stubs has been implemented and rolled out to a third of the workforce, which serve as a high-level summary of an employee's payslip and delivered via Short Message Service (SMS). This initiative has reduced the number of payroll errors and allowed Tsebo to deliver payslip information to employees on time.

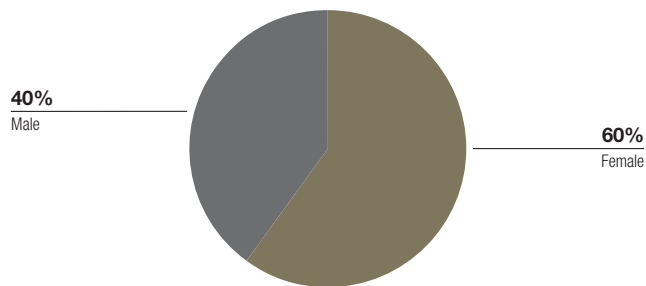
Tsebo has improved the functionality of their Careers Centre and applicant tracking system (Neptune), with more than 154,797 applicants to date. The system has also enabled the businesses to develop talent pipelines and to screen applicants in anticipation of new business opportunities and resource requirements.

In 2019, Tsebo employed almost 38,000 people across the continent of which 80% were based in South Africa. The workforce in South Africa has a high percentage of female employees at circa 60%.

Average headcount	2019	2018	2017
Total headcount	38,149	38,674	32,355
South-Africa*	30,604	32,827	32,355
Other countries	7,545	5,847	Data not consolidated for 2017

\* South Africa data includes Swaziland, Lesotho and Botswana data.

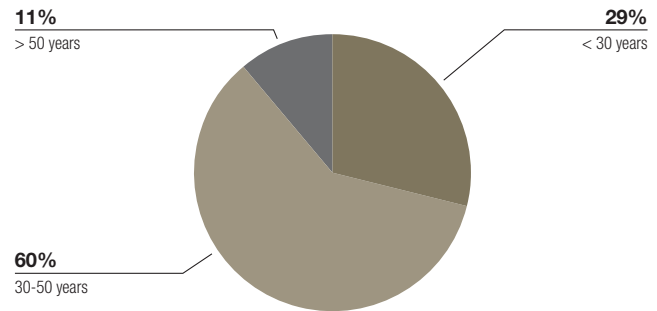
## Headcount by gender for South Africa



The percentages above are calculated based on the total physical headcount by Dec 1, 2019.

## Breakdown of personnel by age bracket

Tsebo actively supports the employment of youth. 29% of the South African workforce is younger than 30 years of age. Most of Tsebo's South African workforce, 60%, is between the ages of 30 and 50 years. Above 50 years old is 11%.



The percentages above are calculated based on the total physical headcount by Dec 1, 2019.

Tsebo is subject to local labour legislation and complies with all legislative and regulatory requirements. To this end Tsebo has developed and rolled out mandatory standards on the management of employees. These in-house standards are in line with:

- the expected skills;
- diversity and inclusion;
- employee performance and reward;
- training; and
- the optimization of organizational design and workforce.

#### 4.3.5.2.2 Labour relations

Extrafinancial risk	Description	Mitigation policies and actions	KPIs
Labour relations	Labour claims following unfair labour practices	The Tsebo HR disciplinary handbook The Tsebo HR grievance policy Employee Experience Questionnaire	Number of labour referrals (monitored but not disclosed) Financial loss due to labour claims (monitored but not disclosed)

Labour relations refers to the relationship between employers and employees in industry, and the political decisions and laws that affect it. Tsebo strives to balance good labour relations within all countries of operation to minimise the risk of financial penalties in relation to non-compliance with country legislation.

Tsebo strives to engage its employees through good people practices and promoting open dialogue with employees and trade unions. Tsebo respects freedom of association and the right to collective bargaining in accordance with local legislation. From the clearly articulated values, HR Standards and policies such as the disciplinary handbook and the grievance policy, Tsebo ensures that it creates a positive work environment. Tsebo's managers and employees comply with processes and policies in order to manage all issues in a respectful and responsible manner.

Apart from internal policies, the local legislative environment dictates compliance to Bargaining Council and Sectoral Determinations – Tsebo is fully compliant to these requirements.

Labour Claims are closely monitored, and cost of labour claims and days lost to strikes are tracked on a monthly basis. This is to ascertain the level of compliance by Tsebo to labour regulations.

Tsebo requires its suppliers to follow the principles and procedures regarding labour relations. Tsebo Supplier Agreement contains clauses that clearly define labour requirements for their third parties.

Tsebo launched its first Employee Experience questionnaire in 2019. This questionnaire focuses on an employee's experience of working at Tsebo and the elements associated with influencing their decision, to stay or leave the company.

Tsebo acknowledges that if they want to be an employee of choice by providing employees with a positive working experience, they must be rated favourably by employees on the following six elements:

- a positive working environment and culture;
- growth Opportunity;
- meaningful work;
- supportive Management;
- trust in Leadership;
- caring.

As at the end of December 2019 88% of the respondents of the Employee Experience questionnaire indicated that they still intend to work for Tsebo in one year's time.

#### 4.3.5.2.3 Diversity and discrimination

Extrafinancial risk	Description	Mitigation policies and actions	KPIs
Diversity and discrimination	Tsebo could risk losing its level 1 Broad-Based Black Economic Empowerment (BBBEE) status and have reputational damage caused from not adhering to the Employment Equity Act (EE Act) requirements	The Tsebo HR eight minimum standards	Retention of its Level 1 BBBEE status

Increased diversity is vital to the continued success of the group because the skills and talents needed to lead, develop and grow a global business are found in people from a diverse range of backgrounds. Tsebo has a level 1 Broad-Based Black Economic Empowerment (BBBEE) status, which it risks losing if all requirements in the Broad-Based Black Economic Empowerment (B-BBEE) Act 53 of 2003 is not met. Having an inclusive

environment where people can flourish not only increases levels of employee engagement and productivity, but also accelerates the rate at which Tsebo can attract people with these skills and talents. Inclusive Employment Equity and Skills Development Forums are essential in Tsebo complying with the Employment Equity Act no. 55 of 1998 (EE).

These two pieces of legislation, as mentioned above, are central to the social fabric of Tsebo and the society at large as they are designed to ensure (through penalties and incentives) that companies adopt a proactive approach to transformation, equality and diversity. Both codify the South African government's national imperative to correct the wrongs of the past and create more opportunities for previously disadvantaged people.

The B-BBEE Codes provide for a rating system or scorecard of companies with level 1 being the best, based on performance in the various subcategories of ownership, management control, skills development, enterprise and supplier development and socio-economic development for previously disadvantaged individuals.

Companies with a higher rating or scorecard have a competitive advantage in the market through better pricing and better contract

wins and retention. Companies are in-turn encouraged to use highly rated BBBEE suppliers to bring equilibrium and equal opportunity to all levels of society.

Although the above-mentioned regulations are specific to South-Africa, the HR minimum standard on diversity and inclusion is not restricted to the countries or operational requirements of Tsebo. It is a universal standard relating to diversity and inclusion, applicable to all countries Tsebo operates in.

The risks of potential impacts on human rights and fundamental freedoms have been identified and the Tsebo group Human Resource Standards Framework has set out the minimum standards to be followed in order to respect the group's values and prevent severe impacts on human rights and fundamental freedoms.

### Tsebo group HR Standards Framework

HR departement	HR measurement	HR Technology
Recruitment	<ul style="list-style-type: none"> <li>Fair and transparent recruitment processes compliant with regulations</li> <li>Approval to recruit as per group HR matrix</li> <li>Recruitment agencies/brokers as per agreed policy and group HR matrix</li> <li>Competent recruiters per division</li> <li>Psychometrics administered by qualified person</li> <li>All vacancies published internally on the Tsebo career site</li> <li>Senior management recruitment centralized</li> <li>Compliance with screening and vetting matrix</li> <li>Documented contract of employment</li> <li>Compliance with Temporary Employment Policy</li> <li>Adherence to the employer brand (EVP) principles</li> <li>Local legislation compliance</li> </ul>	<ul style="list-style-type: none"> <li>Diversity and inclusion performance and duty of care risks monitored and plans in place</li> <li>Proactive communication and consultation with employees</li> <li>Trained managers and employees on diversity and inclusion</li> <li>Appropriate investigation in case of harassment and discrimination cases as per procedure</li> <li>Standards of behaviour in line with Tsebo Values, Business Ethics Policies and ABAC Policy</li> </ul>

HR departement	HR measurement	HR Technology
Training and development	<ul style="list-style-type: none"> <li>■ Learning and development plans developed and implemented per division</li> <li>■ Onboarding includes material and equipment, induction and job-related training</li> <li>■ Employees are informed of their role, duties, objectives and required standard of performance</li> <li>■ Employees have access to learning, coaching and feedback</li> <li>■ The development plan is defined with employees</li> <li>■ Divisional succession plans</li> <li>■ Trained supervisors/operational managers on people, customer and unit management skill</li> </ul>	<ul style="list-style-type: none"> <li>■ Tsebo grading system applied to all management positions (D band and above)</li> <li>■ Governance of all contracts, terms and conditions as per group HR Authority matrix and group Policy</li> <li>■ Financial and extra-financial objectives agreed and issued as per group Bonus Incentive Scheme</li> <li>■ Group Bonus Incentive Scheme rules issued</li> </ul>
Employee engagement	<ul style="list-style-type: none"> <li>■ Tsebo values, Ethic Policies and ABAC Policy communicated to all employees</li> <li>■ Disciplinary, grievance and redundancy policies and procedures in place</li> <li>■ Respect freedom of association and collective bargaining</li> <li>■ Established reward and recognition policy</li> <li>■ Trained manager on employee engagement and labour relations</li> <li>■ Trained supervisory/operational managers on essential people skills</li> <li>■ Biannual employee engagement survey</li> <li>■ Exit interviews completed for all leavers and feedback analysed</li> <li>■ Employment contracts specify retirement age</li> </ul>	<ul style="list-style-type: none"> <li>■ Annual review of organizational design per division</li> <li>■ Clearly defined time and attendance, scheduling and leave management policies and procedures</li> <li>■ Time and attendance managed by approved biometric system</li> <li>■ ESS access enables leave management, access to vacancies and learning</li> <li>■ Proactive and effective leave management</li> <li>■ Monthly review of workforce optimization analytics</li> <li>■ Effective two-way communication with employees and groups</li> <li>■ Position and employee data accuracy, consistency and privacy</li> </ul>

#### 4.3.5.2.4 Training

Extrafinancial risk	Description	Mitigation policies and actions	KPIs
Training	The lack of adequate training on the correct topics for employees will lead to Tsebo having an unskilled workforce that is unaware of the policies, procedures and mechanisms in place in the company.	<ul style="list-style-type: none"> <li>Learning and development strategy and standards</li> <li>Learning and development policy</li> <li>Tsebo Skills Academy</li> </ul>	<ul style="list-style-type: none"> <li>Positive outcome of Sector Education Training Authority (SETA) audits</li> <li>Number of training interventions</li> <li>BBBEE score on Skills Development</li> <li>Training budget and spend</li> </ul>

With its large workforce, ongoing training is essential to ensure Tsebo's high service standards are maintained. Skills development and training are a crucial element of its B-BBEE rating explained above and so Tsebo conducts various training programs across varying levels of the work force.

Tsebo endeavour to make sure all new management employees attend a generic induction at the training centre and that junior staff are inducted at site level.

In 2019, The Tsebo Skills Academy training team had 28 instructors and provided more than 43,000 training interventions in 17 countries which makes up 92% of employees. In 2020 Tsebo aims to increase the number of countries the company provides training in.

Tsebo is an accredited training provider with South Africa's sector education training Board. This enables Tsebo to run certified learnerships for both its internal and external staff.

Training is available for all new and existing employees through the Tsebo Skills Academy, training covers all aspects of various divisions of Tsebo, training covers all its soft skills like health and safety, hygiene and service excellence. A full range of computer skills, several levels of management development training,

including its external Senior management programme at Gibbs Business school, is also offered by Tsebo to staff.

During the last year Tsebo ran a learnership for 85 previously unemployed youth with disabilities, its aim is to be able to permanently employ as many of the learners as possible, who successfully complete the programme.

Online training modules have been available since 2017, Tsebo now offers over 120 modules, including refresher programmes. The number of employees utilizing online training rose from 371 employees in 2017 to roughly 8,000 in 2018; in 2019 Tsebo recorded circa 27,500 employees having completed training using the online training platform. Training expenditure for the last year was circa R82 million.

### 4.3.5.3 Health and Safety

#### 4.3.5.3.1 Occupational health and safety

Extrafinancial risk	Description	Mitigation policies and actions	KPIs
Occupational health and safety	Due to the nature of Tsebo's operations, it faces the risk of employees being injured due to the lack of safe work practices.	Good management practices Safe operating procedures The health and safety handbook. Reporting of incidents policy. Weekly toolbox talks	Lost Time Injury Frequency Rate (LTIFR) Severity rate of accidents (LTISR)

Due to the nature of Tsebo's operations, it faces the risk of employees being injured due to the lack of safe work practices.

The safety of employees and patrons on its sites is Tsebo's first priority. Tsebo subscribes to the principle that every staff member has the right and also the obligation to challenge and report unsafe conditions, behaviour and procedures.

Tsebo continuously strives to create and maintain safe and healthy working environments for all its employees, clients and customers and the procedures necessary to carry out their duties in a safe and efficient manner.

Tsebo has a Group Compliance Officer and various other compliance officers in the various divisions of the group. The Group Compliance office is a centre of excellence for compliance, and health and safety covering the legislative issues that apply to all Tsebo's operations.

To enforce Tsebo's strict health and safety standards Tsebo has a team of 47 Safety Health Environment and Quality Officers (SHEQ Officer). Health and Safety representatives are appointed at each

site for the Catering, Cleaning and Facilities Divisions. Tsebo Catering has in excess of 300 safe working procedures and good management practices which are supported by pre-use checklists and quality assurance documents that are required to be completed in order to ensure compliance to the legislative and regulatory requirements in the Catering Division. The Tsebo Cleaning Division also has Safe Operating Procedures and pre-use checklists to guide employees to comply with legislation and regulations.

Tsebo has the following International Organization for Standardization (ISO) accreditations at some of the sites, ISO 9001 - Quality Management System; ISO 14001 - Environmental Management System; and OHSAS 18001 - Occupational Health and Safety Management System. There are also numerous sites preparing for ISO 22000 accreditation. These should be completed by the end of the first quarter of 2020. Tsebo will also upgrade all the units that have OHSAS 18001 certification to achieving the ISO 45001 certification. The 45001 certification replaces the OHSAS 18001 certification.

In 2019 Tsebo released a group Health and Safety Handbook which has a brief overview of all the safety, health, environmental and quality (SHEQ) topics relevant to the business. Two other policies were adopted, the Corporate Social Responsibility Policy and the Incident Response Policy. All three these policies are aimed at ensuring the health and safety of its employees, patrons and to consider the environment.

In 2019 All Terrain Services (ATS) started the year by launching the SHEQ Quarterly Newsletter as a fresh tool to keep the group updated on SHEQ issues, inform on SHEQ performance and share progress on initiatives.

The maintenance of good performance standards has assisted Tsebo to continuously improve its safety culture and culminated in key safety milestones such as the 10 million Lost Time Incidents (LTI) free working hours achieved during the year, that now stands at 17,185,750.83 at the close of 2019. This marked the first time that ATS has gone through a calendar year without recording a LTI, bringing the total number of LTI free days to 440 by year end.

After such an unprecedented year, the goal of Tsebo is to ensure that going into 2020, its SHEQ systems continue to improve with more sites set to achieve ISO certification. To achieve this ATS will continue to train all employees in a top-down approach that ensures continued buy-in from the senior management team and will regularly update all policies and procedures and introduce new policies where required.

With the deployment of the Tsebo intranet, called TseboNet, the compliance division is now able to raise employee awareness about safety efficiently and comprehensively. The "Toolbox Talks" weekly newsletter is an ongoing feature to promote health and safety good practices. To promote vehicle safety, Tsebo has the vehicle safety cardinal rules and records the number of motor vehicle incidents each month in order to measure the effectiveness of its rules. The Tsebo Risk Management System will also be available on TseboNet in 2020, which will enable all users immediate access to compliance documentation. This will also vastly reduce the use of paper with the resultant cost saving and enhance its contribution to the drive of saving the environment.

### Work-related accidents\*

Details	TFS		Catering		Cleaning		Security		ATS	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Number of accidents with lost time	16	15	43	32	17	13	44	12	0	7
Number of days lost due to an accident	225	101	165	167	65	47	52	70	0	57
Lost Time Injury Frequency Rate (LTIFR)	5.237	5.371	2.260	1.567	0.633	0.472	2.061	0.801	0	0.61
Severity rate of accidents (LTISR)	0.074	0.036	0.009	0.008	0.002	0.002	0.002	5.833	0	0.004

\* 5 countries (Cameroon, Egypt, Gambia, Nigeria, Zimbabwe) are not included in the data reporting. Please note they represent circa 9% of the total headcount.

There were 120 work related accidents with a total of 507 days lost due to these accidents. This ended the year with a lost time injury frequency rate of 1.43 and a severity rate of 0.006. For 2020 Tsebo will include all the outstanding countries in the rest of Africa statistics.

Thorburn Security Solutions is an industry leading security services provider that offers integrated, intelligence-driven safety and security solutions. A proud division of the Tsebo Solutions Group, Thorburn is a quality-driven organisation that delivers premium

security products and services, which includes armed guards and response services. Thorburn Security Solutions has a National Responsible Person (NRP) as required by the South African Firearms Control Act. The NRP is mandated to manage the firearms of the business, and to ensure the correct firearm safety measures and controls, found in the Firearms Control Policy, are in place. Several registers need to be completed by all sites that have firearms, the NRP ensures on a regular basis that these registers are completed correctly and audited.

4.3.5.3.2 Health and safety of consumers

Extrafinancial risk	Description	Mitigation policies and actions	KPIs
Health and safety of consumers	Injuries and diseases of customers due to food borne diseases, caused by unsafe practices	Good Management Practices (GMP) and Quality Assessments (QA) Food Safety manual Food safety audits	Number of Catering sites audited for food, health and safety

Tsebo subscribes to the principle that every staff member and patron has the right and obligation to challenge and report behaviours and situations that could impact the health and safety of consumers.

Tsebo has developed and implemented Good Management Practices (GMP) as its standard and Quality Assessment (QA) checks to measure conformance and efficiency in all spheres of the food chain, from receiving of the raw product to the serving of the prepared ready to eat product. Through this process, the company monitors the complete food preparation and production line.

Tsebo has 54 GMPs which cover the entire spectrum of its food production service and 39 QA checks to measure the compliance.

These GMPs and QAs are immediately available to all its catering staff as these documents have been uploaded to its TseboNet communication system.

The QA documentation is managed and monitored by the Site Supervisors and Managers on a daily basis and overseen by its Project and District managers when they visit each site.

It is also monitored by outsourced independent food hygiene specialists. Tsebo uses three Auditing companies namely: LTL, FCS and Q-Pro. These audits are carried out either on a Quarterly or Bi-Annual basis as per a schedule.

In 2019, 904 audits were conducted at numerous catering sites in South Africa, to mitigate the risk of a consumer falling ill from the consumption of food prepared by Tsebo. There are various hygiene audits done at each site relating to handling hygiene, surf top hygiene and food hygiene. The results of food audits are sent to the Group Dietician for evaluation, any concerns are raised immediately with the senior management of Tsebo and are addressed to avoid any potential harm to consumers. All

non-conformances are addressed, and action plans initiated to rectify them. These action plans are addressed and signed off when completed. They are also revisited by the Auditors on their next audit at the site and their findings attached to the new report.

Every year, ATS dedicates one quarter for food safety promotional campaigns. During the quarter, material is developed to raise awareness on food safety and a strict training schedule is followed to ensure all employees involved in the food safety system are brought up to the standard required to ensure safe systems of work. During this time, Tsebo also ensures that all documents and records relating to the food safety system are thoroughly reviewed (above and beyond what is done during the monthly audits) and that the status of all food handlers is confirmed. All food safety incidents from throughout Tsebo are discussed in detail with corrective measures adopted for all sites to prevent recurrence. In the end awards are given to the best performing sites and individuals to encourage employee involvement.

The ATS food safety system is also heavily reliant on suppliers as the main contributors to the raw materials used in its facilities. All suppliers undergo periodic audits to confirm that they meet the standards set in ATS, and where non-conformances are identified, suppliers are either given time to rectify their systems or are suspended altogether depending on the severity of the non-conformance.

Every verified supplier is kept in the database and no products are sourced from suppliers who do not meet the requirements. Supplies are also checked on delivery and any non-conforming products are immediately rejected. This ensures that only conforming products make it into the stores, and that only wholesome products are used in the catering service.

## 4.3.5.4 Society

## 4.3.5.4.1 Nutrition

Extrafinancial risk	Description	Mitigation policies and actions	KPIs
Nutrition	Inability to meet clients' demands in healthy meal options (particularly for schools and hospitals).	Healthy options available to clients.	None

Tsebo is committed to providing food that is safe, wholesome, nutritious and of excellent quality that meets the expectations and nutritional requirements of clients and customers.

Eating well is important for everyone's health, well or ill. Providing appropriate nutrition in a contract catering setting is a particularly challenging task due to the diverse dietary needs of the population. Food not only needs to meet individual nutritional requirements, it also needs to be appropriate for different age groups, religious, cultural and social backgrounds as well as for different medical conditions. Food provided needs to be familiar, tasty and available; above all it needs to be eaten and enjoyed.

In hospitals, clinics and retirement villages meeting specific nutritional needs of a person, due to their specific conditions, forms part of the Medical Nutrition Therapy of a patient. Many patients who are ill have poor appetites or an impaired ability to eat and are at risk of developing undernutrition. Menus are created to meet the Estimated Average Requirement - (the amount of energy required each day by an average person in the specified age group), as well as the Reference Nutrient Intake - (the amount of a nutrient estimated to meet the needs of the majority of the population). Menus are created for each hospital, clinic or retirement village and up to 17 therapeutic menus are derived from the main menu. Menus features the "Dietitian Approved" logo to indicate that it has been verified and approved by a Registered Dietitian.

In schools, a unique food concept called SmartChoices has been put in place. SmartChoices is a nutritional and educational program aimed at promoting healthier and more balanced meals

in schools, which have been adapted to meet the needs of growing children.

In factories, offices and corporate companies as well as Universities, Tsebo's PURE and Impilenhle concepts offers menus created and approved by registered dietitians and consist of approved menu cycles with various hot & cold offering, recipes and marketing material. These menus are implemented by the regional chefs and training is conducted before implementation. These concepts are available from the Marketing department, Sales department, Dietitians and Chefs and it is implemented when requested by a client or when a need is identified and approved by the client. The objective of both PURE and Impilenhle is to inform consumers on general healthy eating and to help them integrate these concepts into their daily eating habits. Tsebo's objective is to serve balanced meals with less fat, sodium, and nitrates, which contain more fiber and micronutrients while still being culturally acceptable. To do this, Tsebo emphasizes the use of healthier ingredients and methods for preparing and cooking food that are based on sound nutrition.

By having a nutritional offering and meeting the specific needs of all its different customers, Tsebo has developed a competitive advantage and reduces the risk of losing customers for not having met the growing demand for healthier food.

A KPI cannot be defined for this risk as the offering is an option for the client. Tsebo offers the healthy option to every client during the sales process in South Africa and intend to extend this in 2020 to the rest of the countries. There are no means such as a system, to track the healthy meal options served.

## 4.3.5.4.2 Procurement

Extrafinancial risk	Description	Mitigation policies and actions	KPIs
Procurement	Doing business with a supplier that does not adhere to Tsebo's values in terms of health, safety, the environment, anti-corruption and anti-bribery (ABAC) and human rights	The supplier audit policy Corruption & Bribery: ABAC & HSE requirements in the Supplier Agreements	Supplier audit results

In 2019, circa R4.0 billion was spent across categories spanning food and beverages; hard and soft services; vehicles and cleaning consumables; technology solutions and equipment. Control, ordering and tracking of spend is achieved through digital platforms such as MyMarket and InforEAM. Creditors are settled through financial systems such as Microsoft Axapta and Sage.

A priority objective for Tsebo Procurement is reducing and/or eliminating inbound supply chain and customer risk during the onboarding phase, thereafter, maintaining a supplier base that fulfils their objectives of procuring quality goods and services from suppliers.

In 2019 Tsebo Procurement introduced a technological solution and appointed a supplier auditor to reduce the risk of doing business with a supplier that does not adhere to Tsebo's values in terms of health, safety, the environment (HSE), anti-corruption and anti-bribery (ABAC) and human rights.

The technological solution is Thomson Reuters' online risk intelligence database, called World-Check, which enables Tsebo Procurement to conduct initial and ongoing screening of potential and listed supplier entities and individuals (directors) for risks emanating from criminal, political and adverse media exposure. The specific search criteria include topics such:

- Bribery and Corruption;
- Counterfeiting and Product Piracy;
- Currency Counterfeiting;
- Cybercrime/Hackings/Phishing;
- Environmental Crimes;
- Extortion;
- Falsifying information on Official Documents;
- Forgery;
- Tax Evasion/Tax Fraud;
- Hostage Taking (Political/Terror Related) ;
- Human Trafficking/other Human Rights Abuse;
- Insider Trading and Market Manipulation;
- Migrant Smuggling/Slave Labour;
- Sexual Exploitation of Children;
- Financing of Terrorism;
- War Crimes.

At the end of 2019 all active South African suppliers are on the system and are screened daily. The aim is to have the suppliers in

the rest of Africa on the daily screening at the end of the first quarter 2020.

The appointment of the supplier auditor took place at the beginning of the fourth quarter of 2019. A supplier audit policy was drafted which set out the procedure and criteria to be followed by the auditor, the supplier audit programme. The supplier audit programme has a broad scope inclusive of validating compliance to legislation, specifications and operational requirements. Fifteen audits were completed for the 2019 period for South African suppliers, with a further 85 audits planned for 2020 which will be expanded to the rest of Africa suppliers.

The results of the fifteen audits were all positive, none of the suppliers failed the audits and minor suggestions were made to the suppliers in order to improve their compliance to the legislative and operational requirements of Tsebo.

Supplier agreements include termination clauses in the event of non-compliance with Tsebo's values. Suppliers are contractually required, on request, to provide Tsebo with various licenses, permits, audit reports and ratings, depending on the industry which they operate in. Tsebo Procurement routinely delists suppliers who fail to meet agreed standards.

Formal undertakings from suppliers affirming their compliance to Tsebo's ABAC, HSE, Broad-Based Black Economic Empowerment (B-BBEE) and the Code of Ethics and Good Business Practice policies are required from suppliers.

South Africa's procurement process is regulated by the Constitution. As such, a specific Act was promulgated by the government, the Preferential Procurement Policy Framework Act, which imposes regulations on government and businesses to correct the socioeconomic imbalances of the past by awarding work to individuals and small enterprises disadvantaged by historical practices. The regulation stipulates that the procurement process must be equitable, transparent, fair, competitive and cost-effective for the firm.

#### 4.3.5.4.3 Anti-Bribery and Anti-Corruption

Extrafinancial risk	Description	Mitigation policies and actions	KPIs
Anti-Bribery and Anti-Corruption	Failure to prevent bribery and corruption	Code of Conduct and good business conduct policy; Gift policy; Gifts disclosure form; Anti-bribery and Anti-corruption policy; ABAC training; Annual newsletters and awareness mailers; Tip-Offs Anonymous hotline Outside business interest declarations	The number of tip-offs received from the Hotline relating to bribery and corruption ABAC online training (2018 and 2020)

Tsebo has a zero-tolerance policy when it comes to fraud and corruption. Tsebo developed and published a comprehensive set

of policies and procedures to ensure that employees remain vigilant and to avoid the risk of employees not being aware of the

procedures in place to guide them in situations that lead to soliciting or receiving a bribe and/or engaging in a corrupt activity. These policies include Anti-Bribery and Anti-Corruption, Gifts and Entertainment Policy and Tsebo’s Code of Ethics and Good Business Practice Policy, all policies are attested to by employees upon onboarding.

In order to mitigate the risk of bribery and corruption Tsebo has online ABAC training, which must be completed every 2 years by all staff. The tip-offs anonymous hotline, which is available to all staff and third parties. An annual outside business interest declaration form, that must be completed by staff to advise of any conflict of interest with Tsebo or a supplier. Lastly Tsebo has a gifts disclosure form which requires employees to declare gifts received and given, if above the threshold.

The ABAC online training is run every 2 years, with last year being the first year, whereby all management employees complete the training on Moodle. The training statistics will be published in 2020 for the next training.

Tsebo is able to regularly refresh employees understanding of the Anti-Bribery and Anti-Corruption requirements through various other platforms like the “From the Compliance Desk” mailer sent by group Compliance. Further posters and information are posted on the TseboNet Compliance page to increase awareness and through its compliance newsletters.

To ensure that corrupt activities were reported, tip offs anonymous posters were displayed at all sites and head offices, these posters give employees and customers detailed information on how to report any irregularity. All the reported incidents were tracked by Deloitte, who produce monthly statistics reports to Tsebo.

4.3.5.5.1 Food waste

Extrafinancial risk	Description	Mitigation policies and actions	KPIs
Food waste	Inadequate food management processes and practices resulting in high levels of food wastage	Food waste policy Environmental policy Good management practices (GMPs)	No KPI

Organic waste which is also referred to as wet waste is material that is biodegradable and comes from either a plant or an animal. It includes vegetable and fruit debris, shells, bones and unused food. When organic waste is dumped in landfill, it undergoes anaerobic decomposition and generates methane. When released into the atmosphere, methane is 25 times more potent as a greenhouse gas than carbon dioxide.

Tsebo recognises food wastage as a risk to the environment because food production utilizes a large amount of natural resources and is a significant emitter of greenhouse gases.

In order to mitigate the risk of excessive food waste in Tsebo Catering, Tsebo has developed a food waste policy and updated the Tsebo environmental policy.

The tip-offs anonymous hotline continues to run efficiently with the scope being extended to include tip-offs relating to any human rights violations or environmental damage. The tip-offs are received by the risk, compliance and legal divisions to assess the validity of the information provided and to send notification for a need to further investigate to the relevant division.

Employees who wish to report a breach can choose to either call, sms or email their tip-off. Employees who do not wish to remain anonymous may also contact the compliance, audit and/or legal divisions.

In 2019 Tsebo had a total of 49 tip-offs, 11 of which were valid and had adequate detail to investigate. The other 38 did not have adequate detail in order to investigate the tip-offs. Of the 11 tip-offs only 3 were ABAC related and resulted in disciplinary action being taken.

4.3.5.5 Environment

Considering the service offerings of catering, cleaning and hygiene, facilities management and protection, Tsebo has a limited direct impact on the environment. Tsebo provides services at client sites and only has a limited amount of buildings/offices that they occupy. Therefore, Tsebo does not have the control over the energy consumption, water consumption and waste produced.

However, aware of the importance of this issue, Tsebo applies an environmental policy and a number of good practices concerning waste management and the use of chemical products.

There are a number of GMP’s that further instruct how food should be prepared in order to minimise food waste during the preparation of meals.

In 2019 Tsebo’s Rosebank office contracted to Don’t Waste for organic waste recycling. Don’t Waste uses the Bokashi recycling system for food waste. Kitchen staff have been trained and supplied with the necessary tools for implementation and utilisation in the kitchen area. The Bokashi recycling system is an anaerobic process that ferments organic material as opposed to fully composting it. The by-products produced from this process is extremely nutritious for plants and can be used for other forms of composting. Don’t Waste also recycles the plastic, cans, glass and fluorescent light tubes at the Rosebank Office. Tsebo encourages employees to bring all forms of recyclable waste to the Rosebank Office to be recycled.

Tsebo Procurement plays an active role in sustainable sourcing of both services and products. As a way to reduce food waste Tsebo Procurement sources portion cuts of meat and ready-prepared vegetables and fruits over whole unpeeled products which minimizes wastage. Tsebo opts to order smaller pack sizes of the raw foods instead of bulk raw foods as this reduces the risk of food waste through having to dispose of spoiled food if all the raw foods are not used and have to be stored.

In addition, meal specifications and portion control are carefully monitored in the Tsebo catering environment to ensure compliance with client contractual requirements, cost efficiency and food waste reduction.

Healthier cooking methods are preferred. Menus are changed to prevent deep frying of items and if deep frying takes place, the oil is removed from the deep fryer, filtered and reused in small, separate amounts during normal cooking. Used oil is decanted into a 20 L container and stored in a designated area. Oil is collected by an approved oil collector, which prevents the wastage and irresponsible disposal of oil into the environment.

Wet Waste recycling for the period August 2019 to December 2019 amounted to 1.44 m3 which made up 5.74% of total recyclables. In 2020, wet waste will be weighed on a daily basis and compared to waste generated in 2021.

Through its environmental newsletters and other forms of communication, Tsebo believes educating and equipping employees will drive a positive change in the environment reducing not only food waste but also other waste that is harmful to the environment.

#### 4.3.5.5.2 Other voluntary initiatives

While Tsebo supports worthy causes that aid society's most vulnerable, its philosophy and the true strength of its social outreach programmes is in creating a meaningful difference through investing in people and developing sustainable local skills.

In every country of operation, Tsebo strives to enhance community potential by partnering with local communities through a participative approach that integrates them into its value chain and creates strong, quality local suppliers.

##### Focus Areas:

- skills development;
- youth employment;
- job creation;
- SMME development and entrepreneurship support;
- rural enterprise development.

#### 1. Charitable initiatives

- **Christel House School, Cape Town** – R 835 000 donated towards busaries.
- **Zenzele Cutlery Packaging Project, KZN** – job creation initiative for people living with disability.
- **Golf Day Fundraising** – R 115,000 donated to hostel and R 50,000 raised for Stellenbosch University students.
- **PASA World Aids Day Project** – aimed at teaching children about the environment. Children had a to build soccer balls out of plastic recyclable material.
- **Ice Breaker/Winter Warmer Projects** – Thorburn donated blankets, school uniforms and food parcels to disadvantaged communities in the Kathu area.

#### 2. Tsebo Foundation



The Foundation is a section 21 not-for-profit company that delivers the Corporate Social Investment efforts of Tsebo Solutions Group. The foundation serves two mandates:

- **Development Mandate** which focuses on building skills and capacity;
- **Upliftment or Social Mandate** which focuses on looking after the vulnerable.

#### 3. Tirhani Trust



Tsebo realises that tackling poverty and achieving positive impact on community development and transformation can only be achieved when the untapped potential of women in their ability to improve social skills is recognised and supported. In light of this, Tsebo established a Women's Trust (Tirhani Trust) through which the company will channel its contribution towards advancing the development of black women in South Africa.

Focus areas of the Trust:

- education;
- health;
- rural development & upliftment;
- entrepreneurship Developmental.

The Trust beneficiaries are organisations led by women who are passionate about bringing change in the lives of ordinary citizens.

#### 4. Enterprise Development



##### Community Engagement Activities (CEA) Programme

The purpose of CEA is to enhance the livelihood of individuals by creating income and employment opportunities for individuals or groups in the defined communities of clients. The programme is intended to launch with the clients and the communities Tsebo operates in. The ATS CEA team focuses their efforts in providing:

- Ready for local to local produce;
- Training and development programs for community members;
- Direct and indirect employment provision;
- Support for social and integration programs and many more projects.

#### 5. Investment & social impact:

- Impacted Community & Local Supply = USD 38,288,864, representing 92% of total procurement for the period;
- Procurement Spend in Country = USD 11,330,790;
- Total Local Supplier certified = 380;
- Number of Locals Employed = 3,992, representing 75% of project work force.

##### Examples of some of the initiatives undertaken:

###### Kibali, DRC

The Kibali program began in 2013, prior to the program being implemented, ATS imported almost 97% all its protein products such as beef, goat and lamb from Kampala, Uganda. There were only two certified suppliers from local communities. Through the programme this has changed.

#### Investment & social impact:

- 45 certified suppliers created;
- Health & Safety compliant training;
- 82% of supply procured from local communities = \$2,838,472;
- 98% of workforce from local communities;
- 200 jobs created.

##### Fasenda Mizimo Farm Project, Mozambique

Tsebo Sevco has invested significantly in enterprise development across Africa with a focus on assisting community suppliers in rural areas, local supplier training and development, and the employment and skill development of the local workforce. Fasenda Mizimo Farm project produces and delivers fresh produce to Tsebo Sevco operations in the province through CB Farm Fresh as part of its value chain. CB Farm Fresh, who buys the produce, feeds between 10,000 and 15,000 people per day. Whereas before, they were importing 90% of their produce, now the ratio is reversed.

##### Komesho Culinary Academy, Namibia

Catering and Contracts Management Pty Ltd Namibia (CCM) actively practises the proverb that says ***"Give a man a fish and you feed him for a day. Teach a man to fish and you feed him for a lifetime"*** hence its training academy offers free extensive culinary training to previously-disadvantage Namibian youths sourced from all corners of the country.

#### Investment & social impact:

- N\$ 3.3 million invested;
- 111 previously disadvantaged youths trained.

##### Leather Works Project, Namibia

Another initiative involved CCM partnering with OBIB where they identified two women from Tutungeni Township (in the 1<sup>st</sup> phase) to receive an extensive six (6) months long training on leather works.

Many more women were trained and started manufacturing items such as leather hand bags, leather carpets, leather blankets, document holders, wallets and belts. To date, the project has grown in leaps and bounds resulting in more women undergoing a similar training and seeing their products exhibited at different trade fairs countrywide.

#### Investment & social impact:

- N\$ 317, 000 invested;
- Identified women from Tutungeni Township to receive extensive six-month training;
- Now manufacture a wide range of leather goods, training more women and exhibiting at trade fairs countrywide.

4.3.5.6 Vigilance plan

Introduction

In accordance with Article L. 225-102-4 of the French Commercial Code, the vigilance plan aims to set out the reasonable measures of vigilance put in place within the group in order to identify the risks and prevent severe impacts on human rights and fundamental freedoms, health and safety and the environment resulting from the activities of the group. This applies, directly or indirectly, to the activities of its subcontractors or suppliers with which Tsebo has an established commercial relationship, where such activities are linked to this relationship. All these risks have also been included in the EFPD risks matrix and, when they have been identified as main risks, are described in the above chapter.

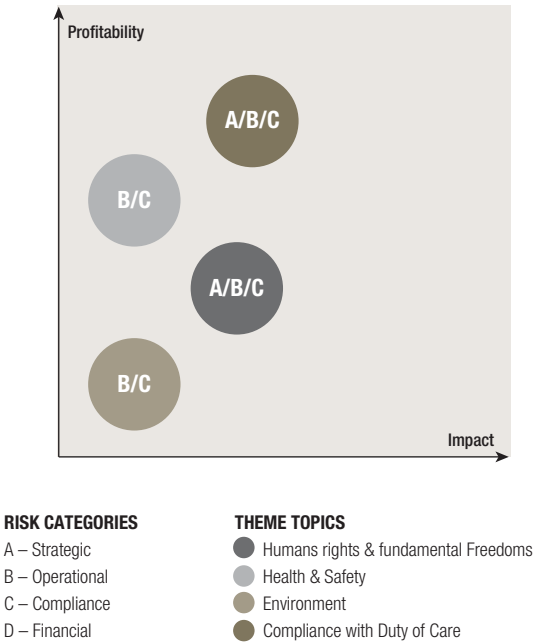
Tsebo continues to evolve a suite of management best practices to ensure that it provides an exceptional customer experience with solid commercial outcomes that protects human rights and fundamental freedoms, health and safety and the environment. With each new service line, region, client and operator, Tsebo learns new and better ways of doing things to address the risks it faces. Sometimes Tsebo ends up simply being reminded that adherence to the basics is a timeless management practice. The overarching objective of everything in the lives of its leadership team is to ensure that the important items are all attended to in a proactive manner. This is achieved through identifying the risks that have an impact on human rights and fundamental freedoms, health and safety and the environment and putting measures in place to mitigate these. The Tsebo Way is a succinct compilation of the key commercial and operating practices of its business, presented in a summarised manner that illustrates Tsebo’s compliance to the necessary laws and regulations the group is required to adhere to.

Executive Summary

This plan was based on the 5 main obligations set out in the law on duty of care. Each of the legal obligations is part of the plan below. The plan was developed by engaging with relevant stakeholders in the business that contributed to assessing the risks from the duty of care themes relating to human rights and fundamental freedoms, health and safety and the environment. Engagements with the Human Resources, Compliance, Legal, Occupational Health and Safety and Procurement departments were necessary in order to complete this plan. This plan is applicable to the group and assessments were made at a group level. Executive management has an appreciation for the importance of this plan and perceive it to be integral to doing business whilst being conscience of human rights and fundamental freedoms, health and safety and the environment.

The risks are depicted in this risk matrix relating to the likelihood and impact of a breach of the risks that are relevant to Tsebo.

Risk matrix map



Duty of care risk mapping to identify, analyse & prioritise the risk

Over the last 3 years, Tsebo has regularly conducted various risk assessments and awareness campaigns around the themes of Duty of Care.

As part of the work on the Duty of Care, preliminary analysis work was carried out to identify, on the one hand, the significant risks, the existing mitigation measures, the systems of control and training needs and, on the other hand, as needed, the necessity to supplement the existing systems. This work results in the distribution of specific questionnaires and a series of dedicated interviews with the persons responsible for the purchasing, human relations, health, safety and environment functions.

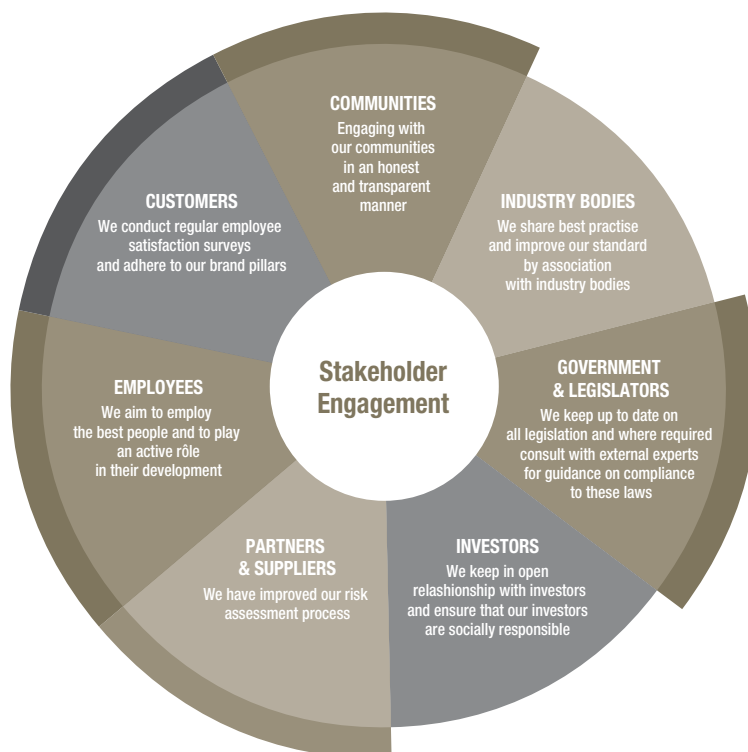
As a result of these analyzes, Tsebo considered that an additional action plan should be put in place with regard to the data security risk. Accordingly, in 2019, a data privacy policy was developed and deployed throughout the group. In addition, e-training courses on data privacy will be rolled out in 2020, with mandatory evaluation.

#### Subsidiaries, subcontractors, suppliers' assessment procedures

##### ■ *Procedures for regularly assessing the situation of subsidiaries, subcontractors or suppliers based on the risk mapping results.*

Through constant engagement with its stakeholders Tsebo is able to ascertain the needs not only of its business but also of the

people who are the recipients of its services. Its stakeholder engagement is a form of regularly assessing the people and institutions Tsebo deals with and conduct business with.



##### ■ *Subcontractor and Supplier Due Diligence*

Risk assessments and third-party questionnaires have been developed in line with the requirements from the Duty of Care risks, and these have been used to assess and ensure that Tsebo's suppliers adhere to the principles set out in the Duty of Care laws. Tsebo Procurement has appointed a supplier auditor to conduct third party audits on tier 1 suppliers. The supplier compliance audit programme that commenced in the fourth quarter of 2019, upon the appointment of the supplier auditor, has a broad scope inclusive of validating compliance to legislation, specifications and operational requirements. Fifteen audits were completed for the 2019 period for South African suppliers, with a further 85 audits planned for 2020. The programme follows the supplier audit policy in conducting audits.

Coupled with the supplier audits a second check has been introduced to vet suppliers. The World Check system has catapulted the due diligence of suppliers, partners and other third parties Tsebo engages with. The company has checked all existing South African suppliers on the system and where there were positive matches for various forms of misconduct and non-compliance, Tsebo has terminated those suppliers after adequate supplier engagement. The ROA suppliers will be uploaded onto the system by the end of quarter 1 2020 for ongoing monitoring.



### Appropriate actions to mitigate the risk to prevent serious harm

Once the risk mapping was complete, existing specific measures to mitigate internal risks were identified. Tsebo documented what the group has in place to mitigate identified risks. Mitigating actions included:

- code of Conduct;
- dedicated operational procedures;
- dedicated training;
- KPIs.

### Human rights and fundamental freedoms mapping work

The risks of severe impacts on human rights and fundamental freedoms have been identified in accordance with the duty of care. The Tsebo group Human Resource Standards Framework has set out the minimum standards to be followed in order to respect the group values and prevent severe impacts on human rights and fundamental freedoms (these standards are described under the "4.2.5.2. Human Resources" paragraphs above). A corporate social responsibility policy has been rolled out in 2019 as a further mitigating factor to minimise the risk of a breach on human rights and fundamental freedoms.

In 2020 HR plans to roll-out employee satisfaction surveys to ascertain whether Tsebo is adhering to its processes and procedures in its HR policies and standardss.

### Safety, health and environment mapping work

Tsebo recognizes the risk of a severe impact on the health, safety and/or the environment of the group's activities and thus having a direct and significant impact on the health or safety of its employees and customers. As described under the "4.2.5.3. Health and Safety" and "4.2.5.5 Environment" paragraphs above, Tsebo has developed health, safety and environmental, safe operating procedures (SOP) to address the risks faced by the group activities. These SOP's address the requirements of the Duty of Care risks. Tsebo also conducts ongoing training regarding health and safety risks and have a weekly toolbox talk that sets out the actions to mitigate a highlighted risk. Each week there is a different health, safety and environmental risk that is addressed by the toolbox talks.

### Alert procedures

Tsebo aims to extend its alert system to cases of possible breaches of human rights and fundamental freedom, health and safety of people and environmental protection.

Tsebo's alert procedure, called Tip-Offs Anonymous Hotline, has been used for many years now. It is operated by Deloitte to ensure anonymity of the callers, it has been used for several years. A description of this system is made available to employees through the various channels like posters, newsletters and regular emails from the compliance desk.

The Tip-Offs Anonymous Hotline aims to encourage employees to report any concerns regarding unethical behaviour, with an aim to now also report any human rights violations, health and safety risks and/or environmental damage. The tip-offs are received by the risk, compliance and legal divisions to assess the validity of the information provided and to send notification for a need to further investigate to the relevant division.

Employees who wish to report a breach can choose to either call, sms or email their tip-off. Employees who do not wish to remain anonymous may also contact the Head of Compliance or the Group Risk and Internal Audit Executive.

Monthly reports are sent to the Head of Compliance and the Group Risk and Internal Audit Executive. They include statistics broken down into topics (human resource matters, governance matters, bribery and corruption matters, procurement matters and theft matters).

In accordance with the Sapin 2 law, Tsebo regularly reminds employees that they will not be subject to penalties or discriminatory measures for filing a report. Deloitte also ensures the confidentiality and anonymity of the person making the report. The hotline is open to all of Tsebo's internal and external stakeholders. Tsebo encourages its suppliers and customers to use it in order to report any breach they may be aware of.

**Monitoring the measures implemented evaluating their effectiveness**

Tsebo has tasked the compliance monitoring team to conduct regular audits to assess the implementation and effectiveness of the mitigating actions implemented. The compliance monitoring team will independently and objectively provide information, analyses and reports to assist management to ensure that operations are managed ethically, effectively and efficiently in line with the requirements for Sapin II and the Duty of Care law.

Its role is to ensure, independently, that the processes of risk management, governance and internal control of Tsebo are working properly by formulating impartial and objective opinions. It reports to the Audit and Risk Committee, that is a subcommittee of the Board of Directors of the Tsebo group.

Through discussions with senior management the team will:

- identify the key risks;
- evaluate those risks by assigning a risk rating (High, Medium, Low);
- identify the current controls in place;
- evaluate the adequacy of the current controls in place;
- make recommendations to improve these controls, if necessary;
- Identify the key controls - these are the controls which management expect to be in place to mitigate the high-risk areas of the business.

**4.3.5.7 Reporting methodology**

The contents of this report are restricted to the 2019 calendar year for Tsebo unless otherwise stated.

**HR Data**

Unless otherwise indicated, HR data was reported for all Tsebo entities. The headcount disclosed in the report is based on the average total headcount for the year 2019.

The South Africa headcount includes Swaziland, Botswana and Lesotho as they are on the South African Educos payroll and are reported as such.

**Hires/Departures**

Tsebo does not publish departures and hires as employee turnover and hiring rate is unique to the industry and does not have an impact on the KPI relating to HR.

**Labour KPIs**

The KPIs' used to measure the labour relation risks were not published herein due to their confidential nature.

**Training**

The training statistics were based on the number of training interventions conducted during the year. Where an employee attended multiple training courses, this was counted as multiple training interventions. Tsebo does not count the number of employees trained, as training interventions, instead of employees trained, are required to be counted for the SETA reporting purposes.

**Health & Safety**

The statistics for all health and safety reporting excludes 5 countries (Cameroon, Egypt, Gambia, Nigeria, Zimbabwe) of the 27 countries Tsebo operates in.

The calculation method has been harmonized between all divisions in 2019, allowing for a consolidated data to be calculated and published. The 2018 data has been recalculated as such and does not reflect the value published in the previous report.

The lost time injury frequency rate is calculated by taking the lost time injury multiplying it by the industry standard of 1,000,000 and dividing it by the number of hours worked. The number of hours worked is a theoretical calculation based on 8 hours per employee, 21.67 days per month, 12 months a year.

The lost time injury severity rate is calculated by taking the total number of lost days multiplying it by 1,000 dividing it by the number of hours worked.

**Procurement**

The top 80% in the procurement statistics refer to the percentage by spend of Tsebo's South African operations.

## 4.4 Report of one Statutory Auditors, appointed as independent third party, on the consolidated non-financial statement

Year ended December 31, 2019

To the Annual General Meeting,

In our capacity as Wendel's Statutory Auditor and independent verifier accredited by the COFRAC under number 3-1048 (scope of accreditation available at [www.cofrac.fr](http://www.cofrac.fr)), we hereby present our report on the non-financial statement for the year ended December 31, 2019 (hereinafter the "Statement"), presented in the Group's management report pursuant to the legal and regulatory provisions of articles L. 225 102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code (*Code de commerce*).

### Company's responsibility

The Executive Board is responsible for preparing a Statement in compliance with applicable legal and regulatory provisions, including a presentation of the business model, a description of the main extra-financial risks, a presentation of the policies applied concerning the risks as well as the results of these policies, including the key performance indicators. The Statement was prepared in accordance with the procedures of the company (hereinafter the "Framework") the significant elements of which are presented in the Statement and are available on request at the head offices of the entity and of the portfolio companies.

### Independence and quality control

Our independence is defined by the provisions in article L. 822-11-3 of the French Commercial Code (*Code de commerce*) and our professional Code of Ethics. In addition, we have put in place a quality control system, including documented policies and procedures to ensure compliance with ethical standards, professional standards and applicable laws and regulations.

### Responsibility of the Statutory Auditors designated independent verifier

It is our role, based on our work, to formulate a reasoned opinion with a moderate assurance conclusion on the following:

- the compliance of the Statement with respect to the provisions in article R. 225-105 of the French Commercial Code (*Code de commerce*);
- the fairness of the information provided under point 3 of parts I and II of article R. 225 of the French Commercial Code (*Code de commerce*), i.e. the results of the policies, including the key performance indicators, and the actions taken, with respect to the main risks, hereinafter the "Information".

However, it is not our responsibility to give an opinion on the entity's compliance with other legal and regulatory provisions applicable, notably on matters of vigilance, anti-corruption and tax, nor on the compliance of products and services with applicable regulations.

### Nature and scope of the work

We have conducted our work described below in accordance with the provisions of articles A. 225-1 et seq. of the French Commercial Code (*Code de commerce*) determining the conditions under which the independent verifier conducts its mission, and in accordance with the professional standards of the national auditing body, the Compagnie Nationale des Commissaires aux Comptes [as well as international standard ISAE 3000] (Assurance Engagements Other than Audits or Reviews of Historical Financial Information).

Our work allows us to assess the compliance of the Statement with applicable regulations and the fairness of the information:

- We have examined the activity of all businesses included in the scope of consolidation and their exposure to the main risks;
- We have assessed the appropriateness of the Framework concerning its relevance, completeness, reliability, neutrality, and understandability, taking into consideration, as necessary, industry standards;
- We have checked to make sure that the Statement covers each category of information specified in part III of article L. 225-102-1 in social and environmental matters as well as concerning respect for human rights and the fight against corruption and tax evasion;
- We have checked that the Statement includes all information required under paragraph II of article R. 225-105 where these apply in terms of the main risks, including any explanations justifying the absence of the information required under subparagraph 2 of paragraph III of article L. 225-102-1;
- We have checked to make sure that the Statement presents the business model and provides a description of the main risks linked to the activities of all of the entities included in the scope of consolidation including, where relevant and proportionate, the risks created by its business relationships, its products or services as well as the policies, the actions, and the results, including the key performance indicators;
- We have consulted documentary sources and conducted interviews to:

- assess the process of selecting and validating the main risks as well as the consistency of results, including selected key performance indicators, in light of the main risks and policies presented, and
- corroborate qualitative information (actions and results) considered by us to be the most significant<sup>(1)</sup>;
- We have checked that the Statement covers the consolidated scope, i.e. all businesses included in the consolidation scope in accordance with article L. 233-16 within the limits set out in the Statement;
- We have examined the internal risk management and control procedures implemented by the entity and assessed the information-gathering process put in place by the entity to ensure the completeness and accuracy of the information;
- For the key performance indicators and other quantitative results considered by us to be the most significant, we have implemented<sup>(2)</sup>:
  - analytical procedures consisting in checking the proper consolidation of data collected as well as the consistency of their changes,
  - detailed tests based on samples, consisting of checking the proper application of definitions of procedures and in comparing the data with the documentation. This work was carried out with a selection of subsidiaries and sites with contributions as follows:
    - for Constantia Flexibles: C-Teich (Austria) and Sittingbourne (England), which cover between 6% and 25% of information selected for this subsidiary;
    - for Cromology: Las Franqueses (Spain) and the Zolpan network (France), which covers between 7% and 39% of information selected for this subsidiary;
    - for Stahl: Waalwijk (Netherlands), which covers between 3% and 44% of information selected for this subsidiary;
    - for Tsebo: the entire workforce and the activities in South Africa covering 80% of the subsidiary's workforce.
- We have examined the work and conclusions of the independent verifier of Bureau Veritas;

- We have assessed the consistency of the Statement as a whole based on our knowledge of Wendel.

We deem that the work that we carried out and the exercise of our professional judgment allow us to formulate a moderate assurance conclusion; a higher level of assurance would have required more extensive verification work.

#### Means and resources

Our work drew on the skills of six people between September 2019 and March 2020.

We called on our sustainable development and CSR specialists to assist with our work. We conducted forty interviews with the individuals responsible for preparing the Statement.

#### Conclusion

Based on our work, we have not identified any significant misstatement that would cause us to question that the statement of extra-financial performance is compliant with the applicable regulations and that the Information, taken as a whole, has been fairly presented, in compliance with the Framework.

#### Comments

Without calling into question the conclusion expressed above and in compliance with the provisions of article A. 225-3 of the French Commercial Code (*Code de commerce*), we note the following:

- At the Wendel level:
  - the new ESG ambitions, 2023 road map and consolidated key performance indicators are yet to be rolled out;
  - the 2019 consolidated indicators that have been published relate to the ESG commitment of subsidiaries and do not measure the overall performance of the Wendel portfolio, particularly in relation to climate change and employee health and safety.
- At the subsidiary level:
  - for Constantia Flexibles and Cromology, policies on certain risks related to human resources still need to be formalized;
  - for Tsebo, the scopes of policies and indicators are limited to activities in South Africa, i.e. 80% of the workforce.

Paris-La Défense, March 18, 2020

One of the Statutory Auditors,  
Deloitte & Associés

Mansour Belhiba,  
Partner, Audit

Julien Rivals, Partner,  
Sustainable Development

(1) Qualitative information for each subsidiary (excluding Bureau Veritas): policies and measures implemented according to the main risks identified within each subsidiary, particularly environmental and social measures and in terms of embedding ESG in products and services and in relations with suppliers.

(2) Consolidated quantitative information at the level of Wendel (including subsidiaries): workforce. Quantitative information at the level of selected subsidiaries where published: frequency and severity rate of workplace accidents, training hours, emissions in the water (COD, SS), greenhouse gas emissions (scopes 1 & 2), other emissions into the air (vocS, NOx), water consumption, energy consumption, share of renewable energy, volumes and rates of waste recovery.



W E N D E L

Societas Europaea with an Executive Board and a Supervisory Board with capital of 178,729,232 euros

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**April 2020**

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