

REGISTRATION
DOCUMENT

including the annual financial report

2017

OVER 310 YEARS OF HISTORY



W E N D E L

WENDEL'S CORPORATE SOCIAL RESPONSIBILITY

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3.1 Corporate social responsibility (CSR) in Wendel's activities

Wendel believes that corporate social responsibility (CSR) drives growth for companies. Through its long-term action, Wendel encourages its companies to implement corporate social

responsibility (CSR) practices. At the same time, it defines its own CSR policy that is adapted to its role of investor and applied by a core team of professionals.

3.1.1 Promoting CSR as part of its role as a long-term investor

Encouraging subsidiaries to integrate CSR

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 via the Board of Directors, that these companies gradually integrate CSR issues in their risk management and growth strategies.

The Sustainable Development department established by Wendel in 2011 coordinates initiatives in this area. It is guided by a 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 General Secretariat, the Communications and Sustainable Development department and the Operational Resources (human resources, IT and facilities management) department.

In 2015, Wendel adopted a Code of Ethics, approved by its Executive Board.

As a shareholder, Wendel assesses CSR risks and opportunities at every phase of its investing life cycle:

- At the time of acquisition:

When Wendel is considering an investment, it conducts due diligence on environmental and social issues as part of the overall risk analysis of the target company's business. Concerning the acquisition of Tsebo, for example, our South African business services company, we paid particular attention to regulations related to Black Economic Empowerment.

- Throughout the long-term support it provides to its companies:

The management team in each Wendel Group company has direct responsibility for managing CSR issues. Nevertheless, as a professional shareholder, Wendel monitors and encourages the CSR efforts of its subsidiaries and associated companies, especially in two areas: employee safety and the environmental performance of the products and services that are designed or distributed.

- Wendel's management is particularly attentive to employee safety and health issues, which it considers priorities. Moreover, workplace safety indicators are often a proxy for how well the management team runs the Company. For example, at Cromology, the accident rate is a factor in determining its management's variable compensation. As another example, Stahl's Board of Directors has also been tracking this indicator at Wendel's request since 2006, when Stahl joined the Wendel Group. Stahl is a model for workplace safety, with an especially low average accident frequency rate: less than 1.5 over the past five years.

- Wendel's subsidiaries are gradually integrating environmental issues into the design of their products and services. With its solutions, Bureau Veritas helps customers continuously improve their operations in the areas of health and hygiene, safety and the environment. More than 80% of Stahl's products are solvent-free. Cromology develops innovative products with new functions that are more resistant, and therefore better for the environment from a life-cycle perspective, and 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. Ninety percent of the paints in its product ranges are now water-based.
- Every Group subsidiary and associated company is expected to develop a CSR policy addressing its specific issues. Group companies operate in very different fields and geographies (see Section 1.7 "Subsidiaries and associated companies") and are at different stages of maturity in implementing dedicated CSR policies and indicators. Wendel therefore considers that it would not be useful to produce consolidated CSR indicators to the extent that these figures would have no operational meaning.

The results of the checks and controls performed by the independent third-party verifier are communicated to the investment team.

Significant aspects of the sustainable development policies of Bureau Veritas, Constantia Flexibles, Cromology, Stahl, Tsebo, Mecatherm, and CSP Technologies, the companies in which Wendel is the majority shareholder, are presented in Section 3.2 "Wendel's subsidiaries reviewed by an independent verifier".

Preventing market abuse and monitoring internal control procedures at Wendel's subsidiaries

A Market Confidentiality and Ethics Code establishes rules for all Wendel employees and corporate officers to prevent market abuse. The main obligations contained in this Code are described in Section 2.1.6 of this registration document. The main provisions applying to Supervisory Board members have been incorporated into the Board's rules of procedure.

Every year, Wendel also surveys the general internal control principles implemented by its consolidated subsidiaries using a questionnaire, as part of its analysis of risk factors related to their business activities.

The questionnaire is based on the reference framework of the Autorité des marchés financiers (AMF) and mainly deals with the following areas:

- definition and formal communication of delegations of power;

- regular reviews of how duties are separated and how the organization enables each individual's responsibilities to be identified and conflicts to be resolved;
- verification by subsidiaries that the variable compensation policy for its senior executives does not increase the risk of fraudulent conduct;
- implementation of a Code of conduct or ethics to deal with conflicts of interest, irregular or fraudulent payments, competition barriers and insider trading (see Section 2.3).

Wendel's compliance program

Wendel's compliance program comprises Wendel's Code of Ethics, adopted by the Executive Board in 2015, and specific policies dealing with essential topics in the Code. This Code contains the values of the Company's employees and supplies the frame of reference for Wendel's role as a long-term investor. It applies to all employees and executives of the Company, its holding companies and all of its offices. Wendel requests that the companies in which it invests adopt similar standards.

Wendel ensures that its activities comply with all laws and regulations regarding anti-money laundering, economic-sanction programs and related tax obligations, preventing corruption and competition law. In January 2016, the majority of employees at Wendel's various locations participated in a special compliance training session. This training session was organized by the General Secretariat at the request of the Executive Board. In addition, more targeted training programs (e-learning) on the policies described below are required for Wendel's employees.

Wendel takes steps to provide a respectful work environment for all of its employees, by promoting diversity, equal opportunity and the privacy of personal data. In return, Wendel employees must use the Company's operational resources in an appropriate manner that is consistent with their work purpose.

Wendel strives to communicate information that is accurate, precise and fairly presented to investors, shareholders and analysts; it also upholds the principle of equality of information. Wendel is in compliance with the European market abuse regulation (MAR).

Finally, Wendel demonstrates its corporate citizenship through its respect for the environment and its commitments to the community (see Sections 3.1.3 and 3.1.4).

Wendel's Code of Ethics can be viewed under the heading "Commitments" on its website: www.wendelgroup.com.

Wendel established its anti-corruption policy in February 2016. This policy was updated in May 2017 to take into account France's "Sapin 2" law on transparency, combating bribery, and modernizing the economy. Wendel is currently implementing the eight measures required by this law within the Group: code of conduct and anti-corruption policy, whistleblower policy, risk mapping, evaluation of the largest and intermediary customers and suppliers, accounting verification procedures, training programs, sanctions for code of conduct violations, internal evaluation and verification of measures implemented.

In February 2017, Wendel established its policy concerning international sanctions.

Wendel established its anti-money laundering policy in October 2017.

These policies apply to members of the Executive Board, members of the Supervisory Board, employees, and any temporary workers, both in France and abroad.

These policies are intended to heighten the awareness of Wendel's employees and help them to manage and identify legal, financial and reputational risks. As a professional investor, Wendel strives to ensure that the portfolio companies implement compliance policies adapted to their business and their risks.

These policies have been distributed to all employees of Wendel S.E., its holding companies, and its international offices.

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

Protecting personal data at Wendel

The European regulation on the protection of personal data will take effect on May 25, 2018. Wendel is complying with the new regulation so as to ensure that the personal data it manages will be properly protected.

The "duty of care"

In response to the requirements of the law of March 27, 2017 on the "duty of care", Wendel's CSR steering committee has set up a work 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, Stahl, Cromology, CSP Technologies, Tsebo, and Mecatherm.

As an investment company that acts as a professional shareholder, the Wendel Group 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 will complete a questionnaire about their risk environment with respect to the topics covered by the duty of care regulation:

- preventing violation of human rights and fundamental freedoms,
- promoting the health and safety of individuals,
- preventing harm to the environment.

The Wendel Group has published information pursuant to Article R.225-105-1 of the French Commercial Code detailing a certain number of tools and procedures that have already been implemented on topics included in the duty of care.

The vigilance plans of the entities controlled by the Wendel Group will be presented in the 2018 registration document under a heading devoted thereto.

2018 initiatives

For 2018, CSR objectives have been integrated into the Executive Board's variable compensation. In particular, Wendel's Supervisory Board has decided that successful implementation of the compliance program and CSR will account for 25% of the Executive Board's fourth, qualitative objective. These CSR objectives will also be applied to the variable compensation of members of Wendel's Coordination Committee, which includes Wendel's principal managers worldwide.

3.1.2 Implementing a CSR approach adapted to a small investment team

Wendel's human resources policy

Small, experienced and diversified workforce

Wendel is committed to hiring excellent talent, creating the best possible working environment for its employees and developing their skills.

As of December 31, 2017, Wendel and its holding companies employed a total of 94 people.

Wendel has foreign offices that support the Group's companies in their international expansion. The companies in the Netherlands (since 1908) and Luxembourg (since 1931) also act as holding companies.

Other offices established more recently are in Japan (2007), Morocco, Singapore and the United States (2013) and the United Kingdom (2015).

Wendel's teams in France

Wendel has 48 employees in France. In addition to the investment team and the senior management team, about 10 experts specializing in finance, law, taxation and communication work on investment and divestment transactions in France and abroad on a day-to-day basis.

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

Employees with a permanent employment contract* in France: staff numbers and change	12/31/2017			12/31/2016			12/31/2015		
	Non-management	Management	Total	Non-management	Management	Total	Non-management	Management	Total
Total workforce	5	46	51	9	46	55	9	55	64
of whom Women	2	24	26	5	24	29	5	27	32
Men	3	22	25	4	22	26	4	28	32
New hires	-	6	6	-	3	3	-	2	2
of whom Women	-	3	3	-	1	1	-	1	1
Men	-	3	3	-	2	2	-	1	1
Departures	3	7	10	-	12	12	-	3	3
of whom Women	2	4	6	-	4	4	-	1	1
Men	1	3	4	-	8	8	-	2	2

* Employees in France with permanent contracts, including three management-level expatriates.

In 2017, Wendel did not employ anyone on fixed-term contracts and employed one temporary employee to replace an absent staff member.

Wendel has one disabled employee and has supply contracts with work centers that employ disabled persons. The mandatory contribution paid to AGEFIPH, an organization that promotes the employment of people with disabilities, was ca. €3.5 thousand in 2017.

Wendel's teams abroad

The holding companies and offices outside of France are located in seven countries and have 46 employees, more than two-thirds of whom are in the investment teams. The rest of the teams work primarily in financial and legal activities at the holding companies in Luxembourg and the Netherlands.

Employees with a permanent employment contract* abroad: staff numbers and changes	12/31/2017	12/31/2016	12/31/2015
Total workforce	46	44	28
of whom Women	21	19	12
Men	25	25	16
New hires	6	20	11
of whom Women	3	9	6
Men	3	11	5
Departures	4	4	3
of whom Women	1	2	2
Men	3	2	1

* Employees with an employment contract abroad, including three management-level expatriates already included in employees in France (employment contract in France suspended).

Organization of working time

Because of its history, Wendel organizes working time in compliance with collective agreements applying to the metalworking industry.

No employee has requested to work part-time.

Absences, excluding leave for family events, increased slightly to around 3%. In 2017, there was one commuting accident with two months lost work time.

Training and professional development

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

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

In France, 38 employees completed at least one training course in 2017, for a total of 409.5 hours of training. The courses mainly addressed foreign languages, specific business functions or, to a lesser extent, office software and safety.

Labor relations and working conditions

Working conditions and relationships are improved by offering support to managers, holding regular meetings with the staff and maintaining dialogue with staff representatives on the Works Council (CE) and the Health, Safety and Working Conditions Committee (CHSCT). 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 to obtain and finance daycare services for the children of employees who request them. In 2017, Wendel financed daycare for four children, for the benefit of three employees.

Finally, in addition to the share of the Works Council budget allocated to social and cultural activities, Wendel covers the cost of a range of services, including exercise classes, luncheon vouchers and payment vouchers for home services.

Diversity and equal treatment

Wendel takes steps to ensure that decisions regarding recruitment, career development (training and job promotions) and compensation are made without discrimination. Job applicants are assessed only with regard to their skills and experience. Variable compensation for employees is based on their performance during their presence at the Company.

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

In compliance with its legal obligations in France, Wendel developed an action plan to ensure that men and women are always treated equally in the workplace.

Promoting and applying the ILO's fundamental conventions

Wendel manages its human resources in accordance with the International Labor Organization's (ILO) core conventions. France has ratified the eight fundamental ILO conventions on forced labor, on the freedom of association and protection of the right to organize, on the right to organize and collective bargaining, on equal remuneration, on the abolition of forced labor, on discrimination, on the minimum age for admission to employment and on all forms of child labor.

Wendel does not operate in countries with a high risk of violation of workers' rights, and therefore has not encountered any issues with applying these conventions.

Compensation policy in line with Wendel's interests

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 share ownership.

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

For France, total compensation (base salary, variable pay and individual job-related bonuses) paid in respect of 2017 was approximately €11.3 million. This figure was virtually the same as in 2016.

Wendel has also had a collective performance bonus in place since 2006. The performance criteria established in 2015 were met in 2017. A performance bonus will therefore be paid with respect to 2017. Lastly, Wendel offers very comprehensive death & disability insurance to its employees and their families, financed largely by the Company.

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 or stock options, which most employees have received since 2007.

Grant of stock options and performance shares

In addition to the two Executive Board members, 84 employees in France and abroad received stock options and performance shares by virtue of the authorization granted at the Shareholders' Meeting of May 18, 2017 and the Executive Board's decision on July 7, 2017.

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, 2017:

- 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.

	Number of options	Weighted average exercise price
Options granted during the year to the ten Group employees who were granted the largest number of options	79,175	€134.43
Options exercised during the year by the ten employees who exercised the most options	122,909	€93.41 ⁽¹⁾

(1) In 2017, these options were exercised at €132.96 (W 1-1 plan), €44.32 (W 3 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).

The total number of performance shares awarded during the year to the ten employees in the Group, excluding Executive Board members, who received the largest number of such shares was 26,391.

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. Shares are offered at a 20% discount and employee payments can be matched up to legal limits.

As of December 31, 2017, excluding Executive Board members, former and current employees held 0.60% of the capital of Wendel via the Group savings plan.

In July 2017, the Executive Board decided to carry out a capital increase. Ninety-three percent of eligible employees subscribed and were allocated a total of 10,499 shares.

Offering additional pension benefits

“Perco” pension plan

In 2010, Wendel introduced a Company pension plan (“Perco”) for its employees in France. It matches certain contributions up to the legal limit.

As of December 31, 2017, 29% of employees had invested in the plan.

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 seniority up to a maximum of 65% of the salary. The pension plan provides for a payout of 60% to a surviving spouse as of 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 transfers the assets necessary to service pension benefits to an insurance company, which makes payments to the beneficiaries.

As of December 31, 2017, there were 36 retirees and six employees of the Company who benefited from the plan.

3.1.3 A limited environmental footprint

Wendel's everyday activities have little impact on the environment. Nevertheless, Wendel strives to limit its own impact. For example, environmental criteria are incorporated into the management of the building where Wendel's headquarters and its IT services are located. In 2012, Wendel performed an inventory of its greenhouse gas emissions, in accordance with the decree implementing Article 75 of the Grenelle II Act, to optimize its efforts to reduce its energy consumption and waste production.

Energy savings

In the past six years, Wendel has made several investments to reduce its energy consumption:

- replacing all of its IT servers with more energy-efficient models;
- renovating its district heating system (distributing high-pressure steam), making the company more environment-friendly;

- creating two video conference rooms and providing mobile work tools to reduce travel;
- gradually replacing traditional light bulbs with energy-saving bulbs to increase the energy efficiency of its head office.

Wendel also promotes the electronic distribution of its publications.

Waste sorting

Wendel has had a waste sorting policy since July 2011. A special training course has raised awareness among all head office employees. All paper consumed by Wendel employees is now collected for recycling, representing nearly 12 metric tons. Plastics, ink cartridges, cartons and metal packaging are also included in the recycling program.

3.1.4 Commitment to the wider community

Wendel's commitment to the community is reflected in its support of projects in the higher education and cultural spheres.

Our 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. Beginning in 2017, and for the second consecutive year, Insead was ranked #1 "Global MBA program" by the Financial Times. Insead is the first school with a one-year MBA program to take the top spot in the history of the Financial Times rankings.
- In addition, 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. In particular, the Group is represented on the Board of Directors of Insead and of the Centre Pompidou-Metz by Frédéric Lemoine, former Chairman of the Executive Board of Wendel.

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.

Our commitments in 2017

In addition, in March 2017, Wendel supported a team of nine employees who took part in the Paris Half-Marathon and ran for the benefit of Orchestre à l'école, a nonprofit organization.

In May 2017, the singer Imany gave a concert at the Olympia in Paris for the benefit of Helen Keller International, an event to which Wendel contributed. Every year, the NGO organizes charity concerts to raise awareness among the general public around its

two principal objectives: combating blindness and malnutrition. Founded in Paris in 1915 by Helen Keller, the organization is now present in 22 countries. Through its programs, Helen Keller International makes long-term commitments to helping vulnerable people by encouraging them to learn new skills.

In 2018, Wendel will develop additional initiatives to involve its employees in the benefit projects to which Wendel will contribute.

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 2017. 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 and the management report. One new member joined the committee in 2017.

Wendel participated in the Actionaria trade show in 2017.

- Wendel keeps the financial community (analysts, institutional investors and individual shareholders) regularly informed of its earnings, business activities and strategy. In 2017, Wendel met with more than 331 stock and bond investors during its road shows (in France, the United Kingdom, Ireland, Germany, Switzerland, Italy, Spain, Portugal, Finland, Denmark, the United States, Canada, Japan and Singapore) and meetings at its head office.
- 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.

3.2 Wendel's subsidiaries reviewed by an independent verifier

Wendel is the majority shareholder in Bureau Veritas, Constantia Flexibles, Cromology, Stahl, Tsebo, Mecatherm, and CSP Technologies. The financial statements of these companies are fully consolidated in Wendel's consolidated financial statements. Accordingly, they have been reviewed by an independent third-party verifier, as required by Article L.225-102-1 of the French Commercial Code (*Code de commerce*). Wendel reports the main points of their sustainable development policies in the sections that follow.

A detailed presentation of the Group's subsidiaries can be found in Section 1.7 "Group companies". Wendel Group companies translate their sustainable development policies into action plans that take into account the company's specific characteristics and maturity in the field.

Bureau Veritas

For Bureau Veritas, Wendel's largest investment, listed on Euronext Paris and included in the Next 20 index (Compartment A, Code ISIN FR FR0006174348, stock symbol: BVI), Wendel publishes a summary of information on its social and environmental responsibility. Since Bureau Veritas is also obligated to verify and publish these data, all of the required information is available in its own registration document for 2017.

Bureau Veritas is a world leader in inspection, certification and laboratory testing, and had 73,417 employees around the world as of December 31, 2017. Bureau Veritas helps its clients improve their performance by offering innovative services and solutions to ensure that their assets, products, infrastructure and processes meet the standards and regulations related to quality, health, safety, environmental protection and social responsibility.

Social responsibility is a core priority for Bureau Veritas and it fulfills its social and environmental commitments in two complementary ways:

- through the very nature of its work, Bureau Veritas helps its clients to implement their CSR processes. By providing its services to a large number of businesses, organizations, and public authorities on a daily basis, Bureau Veritas contributes to preventing risks, improving quality, and protecting the environment, and in this way, indirectly acts for the benefit of the whole community;

- through its CSR policy, Bureau Veritas is also firmly committed to fulfilling its societal responsibility and develops many initiatives in this regard. Its policy centers around the main issues identified when Bureau Veritas defined a materiality table listing the CSR information that is most important to the Group and its stakeholders.

The principal aspects of Bureau Veritas' CSR policy as reflected in the materiality table are governance and operational excellence—human resources and HSE (health, safety and environment) – and social responsibility through programs deployed in its global network. In 2017, Bureau Veritas continued its efforts with regard to workplace safety, operational excellence and relationships with its large customers, and stepped up the development of new initiatives related to innovation and digital transformation, inclusion issues and developing a performance culture.

Bureau Veritas publishes a full CSR report in the registration document available on its website.

Constantia Flexibles

Founded by Herbert Turnauer in the 1960s, the Vienna-based Constantia Flexibles group produces flexible packaging, primarily for the agri-food and pharmaceutical industries. With around 7,200 employees, Constantia Flexibles has successfully developed its activity outside Europe and, over the last five years, has become a global leader in flexible packaging.

Due to the nature of its business, one of Constantia Flexibles' principal CSR commitments is respect for the environment, which is integrated into its business activities.

Constantia Flexibles pays particular attention to its raw materials consumption—essentially aluminum, polymers, paper, varnish and ink—which is one of its major concerns.

Accordingly, Constantia Flexibles uses appropriate procedures to monitor the possible impact of its products on the environment, as well as their durability (in particular by performing life cycle analyses). In addition, most waste at Constantia Flexibles is recycled or sent to thermal recovery facilities.

Constantia Flexibles also places great importance on health and safety and takes pro-active measures to achieve its "Zero loss - no harm" objective.

Cromology

Cromology is a world player in the decorative paint sector and ranks fourth in the European market. It designs, produces, distributes and sells innovative and high-quality paints in more than 50 countries around the world, with a direct presence in nine of them. With around 3,800 employees, eight research laboratories, 10 production facilities, nine logistics platforms, more than 400 integrated stores and more than 8,500 partner points of sale (independent distributors and big-box DIY stores), Cromology generates more than €700 million in annual revenue.

Cromology's mission is to protect and embellish living environments with products that highlight the know-how of its professional and private clients, thereby contributing in a sustainable manner to the well-being of all.

Cromology aims to combine, over the long run, economic performance with excellence through its "CORE, Commitment to a Responsible Enterprise" plan which, since 2010, has focused on seven objectives:

- supporting customers in their sustainable development efforts;
- innovating and offering products and services that are more respectful of their users and the environment;
- 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 the group's presence in the local community.

Since 2015, Cromology's CSR steering committee has defined and managed the company's CSR strategy.

Stahl

Stahl is the world leader in high-performance coatings and leather-finishing products. Its registered office is in the Netherlands, and it employs around 2,050 people. As a manufacturer of chemical products, Stahl considers its major environmental and social responsibility challenges to be the health and safety of its employees and product innovation to minimize the environmental footprint of its products. Stahl has launched a continuous improvement process in the area of its employees' health and safety. In every country, employees are required to attend certain training programs to raise their awareness of these issues. New employees in production facilities or laboratories

undergo specific induction training. Refresher programs are regularly offered to all staff.

Through its continuous improvement efforts, Stahl also ensures that the impact of its industrial sites and their activities on surrounding ecosystems is limited. All of its sites are striving to obtain ISO 9001 and/or ISO 14,001 certification. Thanks to its innovative research, Stahl was one of the first companies in its sector to market water-based products. These products now represent the majority of Stahl's production (more than 80%).

Stahl is a model for workplace safety, with an especially low average accident frequency rate: less than 1.5 over the past five years.

Tsebo

Founded in 1971 in South Africa as a food services company, the Tsebo group is now the leading provider of corporate services in Africa and the Middle East. Tsebo employs 39,000 people and operates on 7,500 customer sites in 23 countries.

Tsebo offers principally integrated catering, cleaning, hygiene, facilities management, energy management, remote camp and security services.

It operates in numerous sectors, both public and private, such as retailing, manufacturing, healthcare, education and leisure services. 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, 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 SMEs 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.

CSP Technologies

CSP Technologies ("CSP") designs and manufactures custom, patented solutions for moisture- and/or oxygen-sensitive products in the pharmaceutical industry and has a growing presence providing packaging solutions for the food and consumer end-markets. The company also increasingly develops packaging solutions for the agri-food industry and mass-market consumer goods.

CSP designs and markets solutions and services to resolve packaging problems in many sectors, including pharmaceuticals, agri-food business and electronics.

The four fundamental values of CSP Technologies are:

- delivery;
- innovation;
- social;
- quality and efficiency.

CSP Technologies is focusing on several specific projects aimed at reducing the use of raw materials and increasing energy efficiency.

Mecatherm

Mecatherm is one of the world leaders in automatic lines and equipment for industrial bakeries. Using its unique R&D and product innovation know-how, Mecatherm designs production lines and assembles them at its sites. Since it is not involved in production, its own activities have little impact on the environment.

Mecatherm strives, in collaboration with its customers, to make its automatic lines run as smoothly as possible. It aims to make them easier for its operators to use and safer for the maintenance and cleaning crews. Industrial processes have been implemented that continuously improve the energy efficiency of the lines and reduce raw material losses. Particular attention is paid to food safety and product traceability.

Concerning employees, in 2017, as part of its Well-being, Efficiency and Performance (BEEP) plan, Mecatherm deployed a new process for integrating new hires and for developing skills, which led to a reduction in turnover from 28% in 2016 to 9.2% in 2017.

3.2.1 Constantia Flexibles

Introduction

Constantia Flexibles is the world's fourth largest producer of flexible packaging, with sales of roughly €1.5 billion in 2017. Based on the guiding principle of 'People, Passion, Packaging', some 7,400 employees manufacture tailor-made packaging solutions at 32 sites in 18 countries. 69% of Constantia Flexibles' sales are generated in Europe, 16% in the Americas (USA/Mexico), and 15% in the Rest of the World. Many international companies and local market leaders from the food and pharma industries choose the sustainable and innovative products of Constantia Flexibles, with their focus on preservation, promotion, protection and presentation.

Constantia Flexibles is a global market leader in a number of product lines, such as confectionery packaging, die-cut lids for dairy products, and aluminum packaging systems for processed human and animal food. Globally, Constantia Flexibles is in second position in the area of blister-lid foils and cold-form foils. In the past years, Constantia Flexibles has evolved from a European provider to a globally active group that is growing together through its long-term relationships with global key accounts, offering a range of aluminum-based and film-based products.

In 2017, the Company took a strategic decision to sell its Labels division for €1.15 billion to Multi-Color Corp. in the US. Constantia Flexibles has used the transaction proceeds to deleverage its

balance sheet and will target further acquisitions in the dynamic and consolidating flexible packaging industry. In addition, Constantia Flexibles holds a 16.6% stake in Multi-Color, making it the largest shareholder in the American company.

Constantia Flexibles is currently implementing its mid-term strategy Focus21, which focuses on selective end-markets in attractive regions. The three pillars of Focus21 are: defending and extending the Company's leading positions in the flexible packaging industry; focusing more strongly on growing businesses in which the Company is not yet a leader, and lastly making targeted acquisitions.

The strategy is supported by a Value Creation Program that focuses on nurturing seven work streams: Procurement, Complexity Reduction, Information Technology, Innovation, Manufacturing Optimization, Commercial Excellence and Cost Management. Constantia Flexibles also takes the topic of Health & Safety very seriously, taking proactive measures to achieve "Zero Loss - No Harm".

The Wendel Group is majority shareholder of Constantia Flexibles, with a 60,6% equity holding. Other shareholders are the Arepo Foundation, with a 27% holding, and Maxburg Capital Partners, with 11%.

Social

Employment

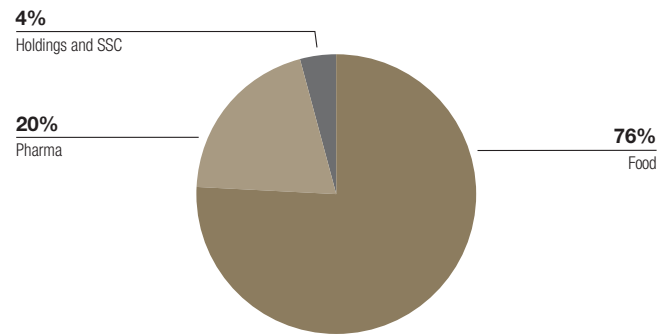
Employees and employee structure

The number of employees (HC) at the end of the fiscal year 2017 was 7,039 with the majority (76%) of employees working in Constantia Flexibles Food division. This equates to an decrease of 3,297 employees (HC) compared to the previous year, which majority was linked to the sale of the Labels division in October 2017.

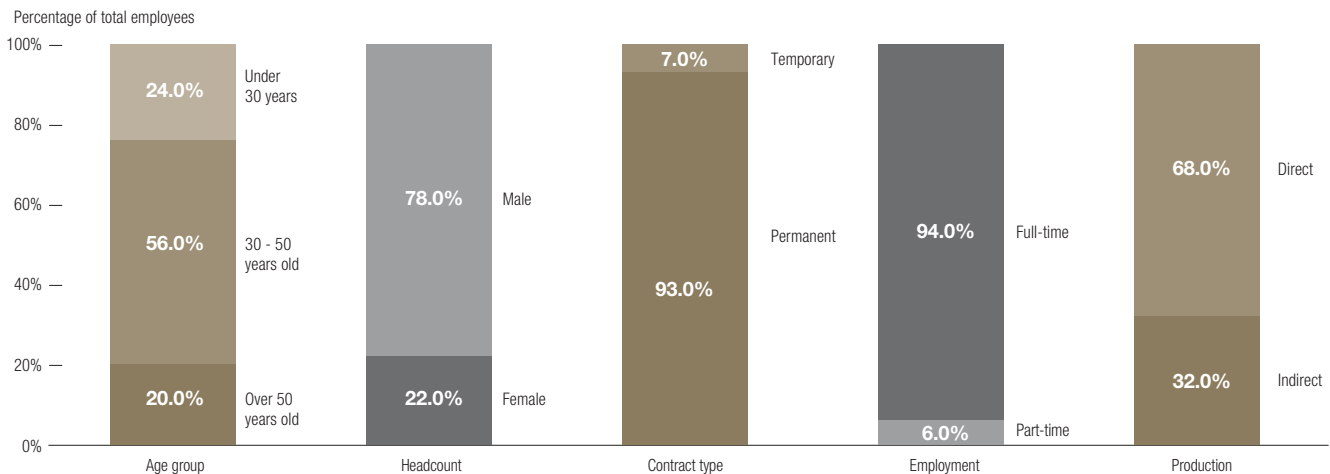
Headcount at the end of 2017 per division

Division	HC	HC in %
Food	5,369	76%
Pharma	1,378	20%
HQ and SSC	292	4%
TOTAL	7,039	100.0%

Employees per division



Breakdown of employees by gender, age group, employment contract, employment type and employee category



56% of Constantia Flexibles' employees are 30-50 years old. Its workforce is 22% female and 78% male.

Around 70% Constantia Flexibles' employees are direct production employees. 94% of the employees of Constantia Flexibles are full-time employees and 93% have permanent employment contracts.

Organization of working time

The production plants vary in their individual number of work shifts (up to three per day). Flexible work time arrangements are common in different seasons to meet customer needs. Shift patterns are coordinated with workers' representatives and adhere to local legal frameworks. The share of part-time and full-time employees in the workforce is represented in the figure above.

Equality

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 3% of Constantia Flexibles' workforce are employees with disabilities.

Human Rights

Constantia Flexibles respects and promotes compliance with internationally recognized human rights. Constantia Flexibles complies with the rules established by the United Nations on human and children's rights. In particular, Constantia Flexibles undertakes to honor the Convention Concerning the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labor Convention 182) and the Convention Concerning Minimum Age for Admission to Employment (ILO Convention 138).

Constantia Flexibles recognizes and respects its employees' right to freedom of assembly, as well as their right to elect their representatives freely and independently within the scope of the applicable statutes and laws and guarantees that these representatives will not be subjected to discrimination of any kind. Constantia Flexibles also respects the employees' right to collective bargaining.

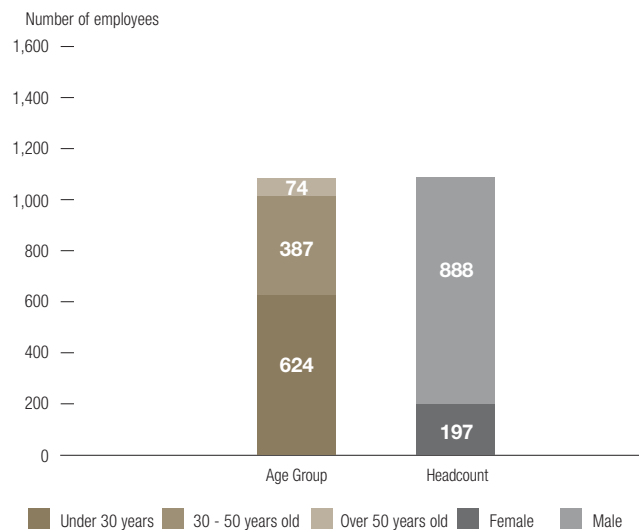
Constantia Flexibles commits to offering employment that is free of any form of violence, harassment and bullying. Constantia Flexibles aims to create, together with its employees, a climate of open communication in which employees can work in an atmosphere that is marked by mutual respect. Such open communication within the Constantia Flexibles is expected to strengthen the acceptance of different cultures and mentalities. Constantia Flexibles undertakes to promote such a fair and partnership-oriented atmosphere in the workplace.

To ensure compliance Constantia Flexibles' established a code of conduct which is available to all employees of Constantia Flexibles at all sites. Additionally online-trainings are provided ensuring awareness among all employees.

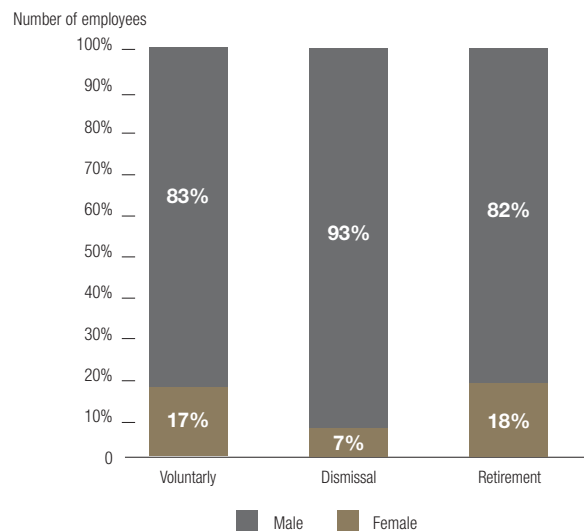
Employee hiring and employee turnover

The following diagrams show the employee turnover and new employee hires of Constantia Flexibles by age group and gender. At the same time, the new employee hire rate of 15.4% underlines the continuous growth of Constantia Flexibles.

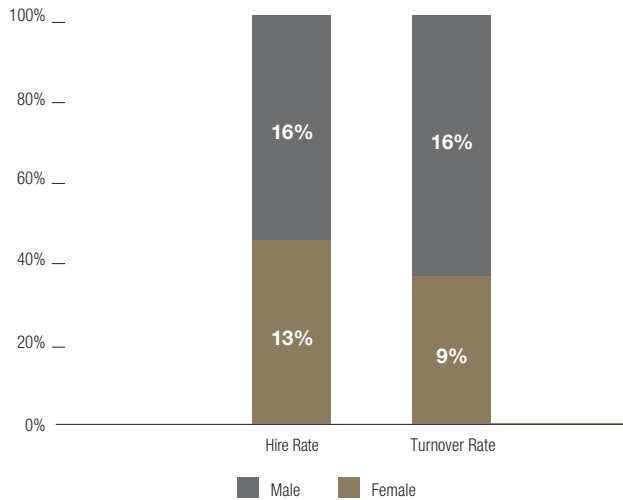
New employee hires by age group and gender



Employees leaving the Company



Turnover by gender



As outlined Constantia Flexibles has a new employee hire rate of 15.4% and a turnover rate of 14.2%.

Absenteeism

Constantia Flexibles absenteeism rate is around 5% measuring days of absence due to sickness, lost time injuries or unjustified events in comparison with working days. Constantia Flexibles is actively working on re-integrating long-term absentees together with workers' representatives, as well as establishing preventative measures to reduce absenteeism.

Compensation

In the majority of sites, Constantia Flexibles is bound to legally binding collective bargaining agreements set by unions. Over the past years, Constantia Flexibles has promoted a culture of rewarding strong performance of its employees. For the Constantia

Flexibles senior management as well as the Headquarter employees, the management of compensation is supported by the state-of-the art solution of "SuccessFactors", a web-based HR IT system. A step-wise further roll-out of this system for all employees is currently on-going.

Incentive schemes for the Constantia Flexibles sales force has been rolled out to almost the entire Company, focusing on the specifics of each division and market. In 2017 the individual, qualitative target portion was increased to one third of the target bonuses to emphasize the entrepreneurial culture of Constantia Flexibles. To emphasize the long-term thinking of Constantia Flexibles, an equity based Long-Term incentive plan is available for selected members of the senior management of Constantia Flexibles. Constantia Flexibles has introduced in 2017 a Compensation Philosophy, lined to it Salaries and Bonus payments are reviewed and aligned on a regular basis.

Constantia Flexibles strives towards being an attractive employer by offering generous monetary and non-monetary social benefits such as canteen and public transportation subsidies, and health and safety related benefits as regular company doctor visits or vaccinations. Constantia Flexibles has and even plans to further develop and specify their Job Grading system, with the goal to be in a better position to evaluate the internal fairness of compensation packages as external competitiveness and attractiveness, safeguarding that Constantia Flexibles keep on being an employer of choice.

With regard to compensation, plants also report their provided benefits, as maternity and paternity leave according to national law in the course of the Sedex membership. As this is also key to Constantia Flexibles, Sedex (Supplier of Ethical Data Exchange) is an important ethical standard for the Group. Sedex is a non-profit organization and platform for members who are permanently engaged in improving the criteria for ethical procurement along the value chain and ethical sourcing. Currently 33 plants are registered Sedex-members. Due to the membership, Constantia Flexibles' plants monitor and assess wages paid against local minimum wages in the respective countries. Almost all of the Sedex-registered plants have already been audited, externally.

Training

As Constantia Flexibles is a global player on the packaging market, personnel development is key to sustainable success. Employees in production receive a regular health and safety training, as well as technical trainings.

Over the last 5 years, the investment in the people development programs, with a strong focus on senior and middle management development, has been gradually increased.

On the basis of a tailored Constantia Flexibles competency model for Senior and middle management as well as professionals, Constantia offers the full variety of development activities.

Every year Constantia Flexibles refreshes its portfolio of trainings to support employees in their career development, with the focus on communication, efficiency at work and leadership skills. The annual development talk employees, plus succession planning, rounds off the portfolio of learning and development activities at senior managerial level.

For the levels below management, Constantia Flexibles has been able to firmly establish the Constantia Training Toolbox - first introduced in 2014 - as a standard global training catalog. This provides competency-based training initiatives for Constantia Flexibles' experts and middle managers around the world.

The roll-out of the "Constantia University", a learning platform accessible to Constantia Flexibles employees, has boosted the Learning & Development offers for the employees of Constantia Flexibles. The Constantia University also integrates new learning pathways, utilizing online training opportunities, video-based learning material as well as virtual training offers. The platform also is the base for two major initiatives started in 2016 and continued in 2017: the Constantia Flexibles Leadership Academy as well as the Constantia Flexibles Sales Academy. Over the coming three years, over 300 Senior managers, middle managers as well as sales staff, including Customer Service, Marketing and Product Management will be trained on the Constantia Leadership and Sales approach. Flanked by special initiatives for future talents - the so-called Learning Journeys - Constantia Flexibles offers a broad portfolio of initiatives that shall help preparing their employees to cope with the targeted profitable growth of Constantia Flexibles.

Health and Safety

Constantia Flexibles promotes the constant development of Health & Safety at work with the aim of continuous improvement of the work environment to avert any potential adverse effect to Humans, Finance, its Reputation and the Environment.

Acting as a global team, Constantia Flexibles integrates this approach with regard to HSSE (Health, Safety, Security & Environment) being part of its daily business-life. The company strives to achieve its goal of "ZERO LOSS - NO HARM" for protecting all its assets - humans, finance, its reputation and the environment, for which it declares itself accountable.

To accelerate its achievements with regard to Health & Safety following key steps were implemented:

- Constantia Flexibles' Management Board adopted Health & Safety criteria to the bonus target-system;
- the Constantia Flexibles' Executive Leadership Program for almost 100 line managers incorporating Safety Leadership-aspects was successfully started.

Constantia Flexibles understands the creation and maintenance of safe and sustainable workplaces as prerequisite to succeed in improvements of its safety performance and protection of its assets. As Safety Leadership as such is a major contribution-factor to enhance the awareness and importance of the related topics, as per 2017 the Senior Management on Group-, divisional and plant-level is required to contribute with at least one third of their individual bonus-targets to Health & Safety-achievements. These bonuses are indexed only on proactive goals and initiatives to be implemented by each member of the respective target-group, as we understand that any target-setting based on "Number of LTIs" or the Lost Time Injury Frequency Rate (LTIFR) only would rather lead to "working on numbers" than "working on root causes".

Finalizing the Group report based on the figures and facts related to Occupational Health & Safety 2017, an analysis of all Lost Time Injuries occurred within the Group on quarterly basis triggered further Group-wide Safety Initiatives. Such information-packages gather minimum-aspects and application rules; these are arranged by the department Group HSSE and then spread into the whole organization. During the year 2017, the focus was set on "Safe manual cutting" in order to use proper knives and appropriate personal protective equipment while the operators had to be trained on safe cutting sequences.

The health and safety figures 2017 - handed in on monthly basis by all of the 31 Constantia Flexibles manufacturing sites and 3 office-locations in 2017 - are subsequently summarized, verified and checked on Group level. This report then reflects the safety performance of these production plants per business division and the cumulatively summarized figures for Constantia Flexibles Group. Beside key learnings from certain Lost Time Injuries occurred, related corrective and preventive measures are shared and discussed based on the report at the monthly meetings of the Executive level and divisional calls once a month. In order to gain a better overview including trends, certain additional information and graphs were added according to the requirements of the management. The reports could be used as basis for the management's safety-related talks with their direct reports:

- number of Lost Time Injuries (LTI) per division and month occurred within the last 12 months (graph);
- Lost Time Injury Frequency Rate (LTIFR) per division as well as LTIFR-trend chart of Constantia Flexibles Group as per month representing 12 months (graph);
- graph indicating the number of Lost Time Injuries occurred (YTD) per division compared to the respective Headcount.

During 2017 all operating sites of Constantia Flexibles monitored further indicators with regard to their activities on Safety. Beside the documentation of Safety Committee Meetings, which are led by the respective local management while involving staff representatives and H&S-experts, all kinds of Health- and Safety-related local initiatives were reported to Group level as well. Thus, the company build up its Safety Culture with 5 H&S-initiatives successfully implemented on average per plant and one Safety Committee Meeting performed on quarterly basis (on average per plant) in 2017.

Due to the measures taken and the recognition raised regarding Health & Safety within the Group, again the group significantly improved its performance in 2017, although Constantia Flexibles is aware of the need of further enhancements to achieve its goal of ZERO LOSS - NO HARM and to compete with industry average and -benchmarks.

LTIFR disclosure

Occupational Health & Safety Data	2017	2016	2015
Lost Time Injury Frequency Rate (LTIFR)	7.9	10.5	13.7

Outlook 2018 for Health & Safety

As Constantia Flexibles succeeded with the implementation of pro-active HSSE targets as part of the management's bonus-system, this approach for accelerating its safety performance will be prolonged in 2018.

During the upcoming year Constantia Flexibles will enhance the standardization of H&S-related topics across all its operating plants due to a minimum set of requirements. Constantia Flexibles will focus on the unified visualization of and the information about local H&S-performance and the implementation of Group-requirements on the H&S-induction for visitors in strong liaison with hygiene-aspects according to its quality-related requirements.

While Constantia Flexibles provides awareness trainings to employees and leased personnel at the shopfloor which are most relevant to their role, the company accelerates the accountability of the line management for all aspects of Health & Safety during their ongoing participation at the Executive Leadership Program. Thus, after each module the participant has to perform a specific task called "Walk the Talk!". As such exercise is strongly linked to its proactive H&S-activities, the company understands this phrase as a pre-requisite for safety-leadership by backing up talking with appropriate personal action.

Further investments into the desired safety culture will improve its performance further on as the Constantia Flexibles team is strongly committed to its goal of "Zero Loss - No Harm" while accomplishing a safe and sustainable work-environment.

Environment

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 in 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 waste; and
- maximum utilization of resource friendly and environmentally friendly technologies alongside the ongoing optimization of material use.

Continual improvements in the consumption of raw materials, which consist primarily of aluminum, polymers, paper, varnishes and inks, constitute a major concern for the Group. In times of a steady long-term increase in energy consumption and growing global water shortages, measures for the optimization of electricity, natural gas and water use are crucial to success - including economic success. Additionally, potential environmental impacts on the level of product sustainability are made quantifiable through comprehensive investigations (for example by conducting life cycle assessments, etc.). In this context, an understanding of the sustainability performance of Constantia Flexibles' raw materials and of products supports the Group in new developments and in the achievement of its goals.

Furthermore Constantia Flexibles employs professional software tools that constantly undergo further internal development in order to facilitate centralized compilation of the required data. Constantia Flexibles is extremely advanced in this respect. The Group's technological solutions are state of the art, enabling to provide both to the customers and to the internal product and sales management teams with the best possible service.

Sustainability and environmental policy

Constantia Flexibles' sustainability policy focuses on the responsibility to the environment and to those who come after us. Sustainability is a growing science that balances current needs with those of future generations. Constantia Flexibles does not merely react to the demands of the customers, who are beginning to take more and more environmental responsibility for their products; Constantia Flexibles believes that future financial success is dependent on sustainable corporate practice. The existence of an own Sustainability department on Group level since 2010 reflects the dedication of Constantia Flexibles on this topic. To further emphasize the importance of sustainable thinking being incorporated into the entire operations of the business, this department reports directly to the Executive Board (Senior Vice President of Operations) since end 2017. To deliver information on

environmental protection to employees, the environmental policy of Constantia Flexibles is up on notice boards in every plant.

In addition to the implementation of a Group wide policy, Constantia Flexibles is acting and/or certified in accordance to the following environmental/responsible sourcing standards:

- ISO 14001 (8 sites);
- ISO 50001 (5 sites);
- FSC-CoC (5 sites);
- SEDEX (22 sites);
- founding member of the Aluminium Stewardship Initiative (ASI).

Climate change

Energy consumption

Constantia Flexibles had a total energy consumption of 567,954 MWh in 2017. The table below shows the split of energy consumption by source. Natural gas and electricity are the main energy sources accounting for 42.34 and 48.30 percent, respectively.

Total energy consumption by source

Energy source	[%]
Natural gas	42.34
LPG	3.13
Diesel	0.59
Heating oil	0.07
Petrol	0.19
Total electricity	48.30
Steam	4.41
Hot water	0.97

Constantia Flexibles works for a continuous improvement related to energy efficiency and a reduction of emissions. Some of the approaches are:

- solvent recovery;
- organic solvent-free technologies; and
- heat recovery.

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

Constantia Flexibles is also working on encouraging its plants to implement environmental focused initiatives. They increase the sustainable performance of the Group and contribute to a more efficient use of resources.

It can be observed that in 2017 Constantia Flexibles had a total of 29 initiatives with environmental focus. 15 initiatives intended to reduce energy consumption have been implemented, among which 13 resulted in total savings of 7.22 GWh.

Overview of number of initiatives and energy saved

	Number of initiatives	Number of sites with initiatives	Energy saved due to initiatives
Environmental initiatives	14	6	
Initiatives to reduce energy consumption and GHG-emissions	15	5	7.22 GWh
SUM INITIATIVES	29		

Greenhouse gas emissions

Among other tasks relating to corporate sustainability, 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). Constantia Flexibles is quantifying as well the indirect emissions (Scope 3) coming from upstream and downstream value chain activities (s. chapters "Scope 3" and "Methodology"). Constantia Flexibles measures and reports the emissions according to the internationally recognized Greenhouse Gas Protocol and is verified by an external consultant for its Scope 1, Scope 2 and Scope 3 calculation methodology. In the verification review statement it is indicated that *Constantia Flexibles' methodology has a reasonable level of assurance following ISO 14064-3 and represents a high level of assurance according to the CDP reporting principles.*

The development of a standardized step-by-step approach has allowed Constantia Flexibles to understand the effects of emissions along its entire value chain of raw materials. This enables the Company to concentrate on actual rather than perceived opportunities for reduction.

To promote opportunities for reduction of emissions, Constantia Flexibles has set a company-wide spanning goal of a 40% reduction in CO₂ emissions by 2023 (Scope 1 and 2 emissions per square meter produced, setting 2005 as reference year). Furthermore, in 2017 Constantia Flexibles has publicly committed

to the science-based target initiative and is currently in the process of developing a Group-wide target for Scope 1, Scope 2 and Scope 3 GHG-emissions in line with climate science. Since 2015 material Scope 3 emissions are 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 to decrease Scope 3 emissions deriving from purchased raw materials.

Scope 1 and 2

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. In addition, its application accounts for regional practice offering, inter alia, the consistent usage of different units (MJ, kWh, BTU, etc.) for data collectors. Validity intervals for potential error checking prevent typos and the use of wrong units based on comparisons to the previous year's performance.

The table below shows the overall Scope 1 and 2 CO₂ emissions of Constantia Flexibles for 2016 and 2017 (277.74 kt). In absolute terms it can be observed that Scope 1 and 2 emissions have decreased. This is primarily caused by the divestments taken during the year, as Constantia Flexibles has sold one of its three divisions.

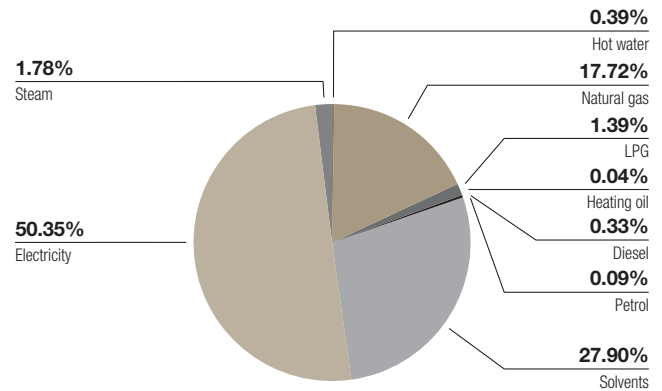
CO₂ emissions breakdown by Scope for 2016 and 2017

Unit	Scope 1			Scope 2		
	2017	2016	Variation [%]	2017	2016	Variation [%]
kt CO ₂ -equiv.	131.86	165.22	-20.19	145.89	193.93	-24.77

The graphic below indicates Constantia Flexibles' CO₂ emissions by source, demonstrating that more than half of the 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% on hydro power) in several plants, covering 13% of the total electricity consumption in 2017.

The divestment of the Labels Division has not caused major shifts in the contribution of each energy carrier. Most of the remaining emissions still occur due to the solvent and natural gas consumption (27.90% and 17.72% respectively) 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 as well as by feeding solvent gas streams to RTOs (Regenerative Thermal Oxidizers) combined with thermal energy recovery. In addition there are many initiatives implemented aimed to reduce gas and electricity consumption of plants (see section "Energy consumption").

Breakdown of Scope 1 and 2 emissions by source



System boundaries alignment

In order to make a comparison of the organic development between the years 2016 and 2017 for CO₂ emissions a "same system boundaries approach" has been chosen and results per output have been recalculated. Therefore the system boundaries were aligned for both years, excluding all of the sold label plants, to observe the inherent trend of Constantia Flexibles' emissions development.

This approach allows a better understanding of the theoretical trend of KPIs monitored. The results of this recalculation are as follows:

CO₂ emissions breakdown by Scope for 2016 and 2017 with aligned system boundaries

Unit	Scope 1/output			Scope 2/output		
	2017	2016	Variation [%]	2017	2016	Variation [%]
t CO ₂ -equiv./Mio. m ²	31.90	32.13	-0.71	34.20	33.02	3.58

Considering aligned system boundaries, the sum of Scope 1 (-0.71%) and Scope 2 (+3.58%) emissions per output slightly increased. In absolute terms same-system-boundary Scope 1 emissions decreased by 1.54% while Scope 2 emissions increased by 2.71%.

Scope 3

In addition to the assessment of direct and indirect emissions produced by the activities of the Constantia Flexibles Group, the indirect emissions caused by the processes up-and downstream of the supply chain (Scope 3 emissions) are evaluated. Following a first analysis on selected Scope 3 emission sources, Constantia Flexible set up an evaluation method on a Group-wide scale for significant emissions sources.

For Constantia Flexibles the total material Scope 3 emissions are a key factor in terms of achieving its corporate target. Purchased goods used to manufacture Constantia Flexibles products represent the most important element of Scope 3 emissions of the Company. Constantia Flexibles therefore also engages with its suppliers to evaluate these emissions.

Risk assessments allow Constantia Flexibles to identify and analyze hot spots and initiate projects aimed at continuous improvement of its sustainability performance along the value chain. Knowledge of site-specific challenges on the corporate, product and raw material levels helps Constantia Flexibles to tackle similar problems throughout the Group.

For the year 2017 Scope 3 emissions will be publicly reported in the Group's CDP (Carbon Disclosure Project) report by end of July 2018.

Adaptation to climate change and environmental protection

In 2017 Constantia Flexibles has been again recognized with a strong Carbon Disclosure Project (CDP) climate score rating for its highly transparent climate reporting and climate protection efforts. The CDP is an organization based in the United Kingdom, which works with shareholders and corporations to disclose the greenhouse gas emissions of major corporations. Constantia Flexibles has again achieved the "Management Level" in the climate score with regard to its contribution to climate change mitigation, adaptation and transparency. Compared with the industry sector specific average, Constantia Flexibles is among the top 11% of all companies evaluated by CDP. This confirms and underlines Constantia Flexibles' strategy to reduce emissions sustainably, while maintaining the highest standards of transparency when it comes to reporting.

Besides Constantia Flexibles' efforts to reduce greenhouse gases the Company tries to minimize emissions and effluents that have adverse effects on humans or the environment. Plants operating in accordance to ISO 14001 (25%) conduct assessments of major risk areas where spills and leakage may contaminate air, water and/or soil. Following completion of this assessment, plants have a management and external communication plans, compliance controls and a monitoring program in place to prevent and detect those spills and leakage.

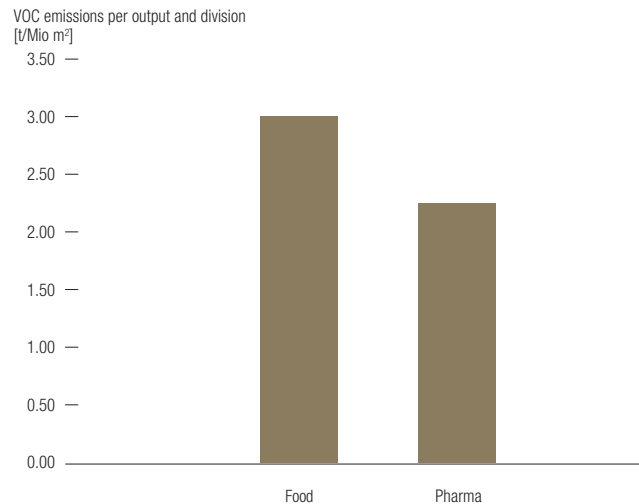
Furthermore Constantia Flexibles assesses the risk and materiality of the biodiversity impacts and dependencies from the land use and activities over which the Company has direct management control or significant influence, where applicable. During the latest assessment no significant risks regarding biodiversity were identified.

Pollution and waste management

Pollution (VOC)

Constantia Flexibles is aware of the impact of VOC emissions on the environment. These emissions are originated in plants from the usage of solvents, which is part of the printing process. In this context the Company has installed Regenerative Thermal Oxidizers (RTO) in several plants to recover heat energy, consequently reducing the VOC emissions. More than 50% of the plants own technologies for the recovery of solvents and for the avoidance of solvent emissions. Constantia Flexibles also aims to decrease the overall solvent consumption in several plants by investing in new solvent-free printing technologies. In 2017 Constantia Flexibles has invested nearly three million euro in printing technology at its manufacturing site in Wangen, Germany. This investment caused the closure of old machines and as a result, the complete elimination of solvent use from 2018 onwards.

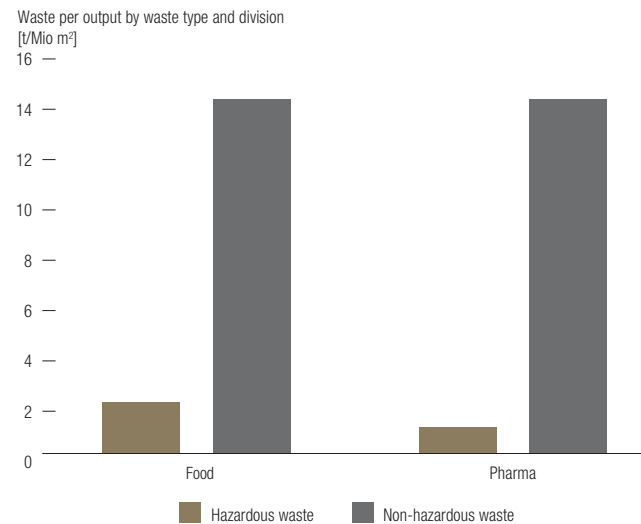
Breakdown VOC emissions per product output and division (not including new acquisitions in 2016)



Waste management

In accordance with waste management plans on plant level, Constantia Flexibles continuously monitors the achievement of implemented waste targets. The total amount of waste at Constantia Flexibles' sites was 68,220 t in 2017. The graphic below shows Constantia Flexibles' waste accrual by division and category per output.

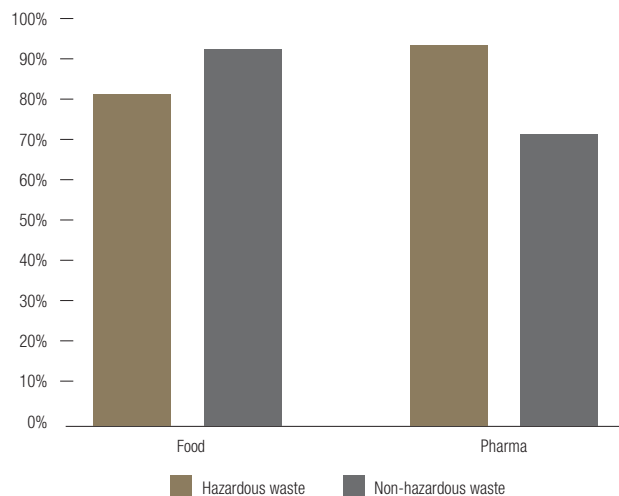
Breakdown of waste per product output by waste type and division



In 2017 Constantia Flexibles sent 82% of the hazardous waste and 90% of the non-hazardous waste to recovery (recycling, composting and incineration with energy recovery).

Breakdown of waste sent to recovery (recycled, composted and incinerated with energy recovery) by waste type and division

Percentage of waste sent to recovery by waste type & division



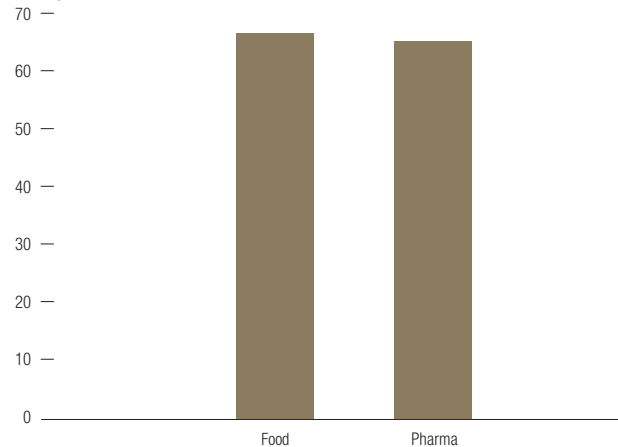
Sustainable use of resources

Water management

Due to its usage mainly for sanitary purposes and in small amounts as a solvent for adhesives and lacquers, tracking water consumption is not material for Constantia Flexibles. Nevertheless, the Group is aware of the importance of its impact for the environment and therefore monitors and reports water consumption and uses closed water systems.

Breakdown water input per product output and division

Water input per product output and by division
[m³/Mio m²]



The total water consumption in 2017 was 279,706 m³. The graphic above indicates the water usage per output by division. As the former Labels Division had a much higher water consumption than the other divisions due to the more water intensive production technology, the Company's total water consumption in 2017 decreased by more than 50% due to the divestment.

Responsible and ethical sourcing

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 initiatives such as the Aluminium Stewardship Initiative (ASI).

The Aluminium Stewardship Initiative 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 2017 the ASI Chain of Custody (CoC) Standard was launched to connect assurance about business' practices under the ASI Performance Standard, to claims about aluminium and responsible sourcing. Also, a self assessment was started and Constantia Flexibles expects the first certification against ASI performance criteria in the first half of 2018 for its rolling mill plant Constantia Teich.

Furthermore, Constantia Flexibles is working on a revision of its environmental policy towards a sustainability policy, which will be also anchored in a future sustainable sourcing policy.

As an active member participating in several pioneer projects Constantia Flexibles understands the importance of modern plastic packaging design. The Company therefore joined the New Plastics Economy (NPEC), an ambitious three-year initiative supported by the Ellen McArthur Foundation, which builds momentum towards a plastics economy that works. With an explicitly systemic and collaborative approach, the New Plastics Economy Initiative aims to create a shared sense of direction. Applying the principles of the circular economy, it brings together key stakeholders to rethink and redesign the future of plastics and thus creates both economic and environmental benefits. Catalyzing change in this global material flow will not only create a more effective plastics system, but will also demonstrate the potential for a wider shift from a linear to a circular economy. The initiative focuses on five interlinked and mutually reinforcing building blocks to create the enabling conditions for a system re-design: Dialogue mechanism, Global Plastics Protocol, Innovation moonshots, Evidence base and Outreach.

As part of the CEFLEX project (a Circular Economy for Flexible Packaging), Constantia Flexibles 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.

In 2017 Constantia Flexibles has started the process to engage its suppliers on key sustainability indicators, starting with selected suppliers, covering about 40% of the Scope 3 emissions deriving from purchased raw materials (2016). Additionally together with an external consultant a comprehensive supplier questionnaire was developed, which will be rolled out to all main suppliers in 2018.

Moreover, as already mentioned in the section "Compensation" and to follow responsible sourcing policies of its customers,

Constantia Flexibles endorses for its sites the ethical standards represented by SEDEX (Supplier Ethical Data Exchange). SEDEX is a non-profit membership platform dedicated to improving ethical supply standards along the value chain using tools like standardized information exchange *via* questionnaires and audits (SMETA = Sedex Members Ethical Trade Audit). Over the past three years, 22 sites have been SMETA audited.

SEDEX focuses on 4 areas:

- labour standards;
- health and safety;
- environment; and
- business integrity.

Society

Stakeholder dialog

Constantia Flexibles is conscious of its responsibility towards society and its strategy aims to be engaged in social activities and projects to contribute to a better social environment. The best projects of the 46 sponsoring activities and 55 social initiatives conducted in 2016 were presented in 2017 at the Global Awards gala in Vienna, Austria. Constantia Flexibles places special emphasis on local communities - appropriate conduct for a good neighbor. Therefore 60% of the social initiatives were focused on the needs of local communities around Constantia Flexibles sites.

Recent examples for social initiatives in 2017 are:

1. Constantia Cooking - Employees of Rivergate headquarters cook monthly for the homeless at VinziRast in Vienna since 2009;
2. START Austria - Constantia Flexibles is supporting 20 START students in Austria with a donation of €100,000. The young people, who have migrated from countries such as Afghanistan or Syria, are helped to integrate into Austrian society through schooling, language support and social activities. The Company also offers site visits and a chance for one of the students to experience an apprenticeship;
3. Constantia Teich in Austria regularly supports a small family center, which specializes in the therapy of children who are mentally disabled or traumatized;
4. Constantia Tobebal in Spain organizes a solidarity clothes collection twice a year. The collected clothes are delivered to an NGO and distributed among people in need.

Relationship with other stakeholders

Constantia Flexibles concerns itself intensively with the topic of sustainability at the association level as a participant in international task forces. As a permanent member of Flexible Packaging Europe's Sustainability Committee and the European Aluminium Foil Association's Foil Sustainability Action Group, Constantia Flexibles works 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 of the Sustainable Packaging Coalition strengthens its ties to key accounts and increases shared understanding of the sustainability issues affecting the packaging industry. The Sustainable Packaging Coalition (SPC) is a task force dedicated to the vision of more environmentally friendly packaging. Through strong member support, sound scientific research, cooperation along the supply chain and continuous public relations work, the SPC strives toward developing packaging systems that successfully combine economic prosperity with sustainable material flows. The variety of projects carried out under the auspices of the coalition is reflected in the vast amounts of data shared between members. Above all, the global dialog promotes worldwide consensus on the subject of packaging. Constantia Flexibles is engaged in industry leadership projects that seek solutions to contemporary problems and the continued development of more sustainable packaging solutions for its customers. 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. By collecting and highlighting global efforts to advance recovery options, it is the aim to advance the collective understanding, and shared best practices, towards the goal of creating a sustainable solution for the management of multi-material flexible packaging at their end of life.

Constantia Flexibles also takes an active interest in current and planned legislation in the field of sustainability. By way of example, the current European Commission initiative can be mentioned, that uses pilot studies on Product Environmental Footprint (PEF) and Organisation Environmental Footprint (OEF). Constantia Flexibles is actively involved in the requisite pilot studies and is a member of selected technical secretariats for individual product

groups, like PEF Dairy. 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.

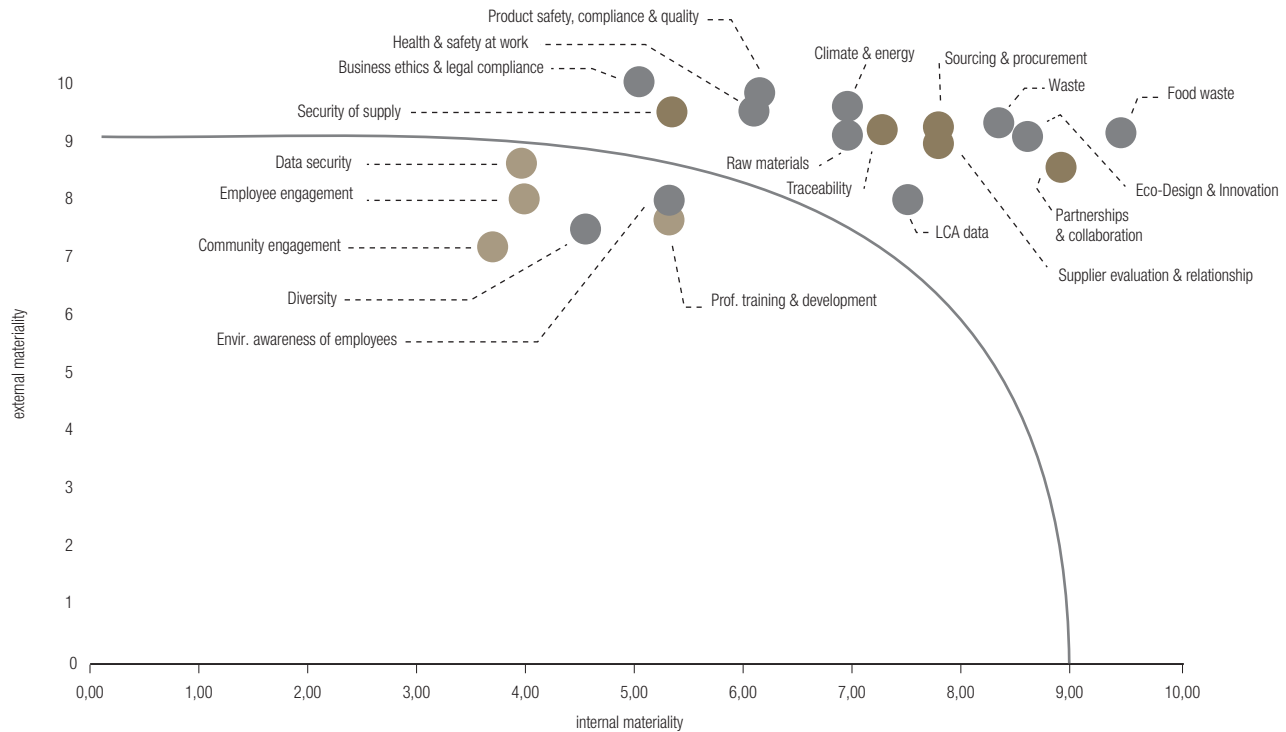
Alongside the monitoring and development of relevant trends with the potential to improve the sustainability of its products on the market and in legislative matters, support for internal stakeholders (e.g. sales and product management teams) is another of Constantia Flexibles' key endeavors.

In 2016 Constantia Flexibles has initiated the process of a comprehensive materiality assessment in accordance with the Global Reporting Initiative (GRI). By developing a robust understanding of what issues are material to its operations, the environment and communities, risks can be better prevented or mitigated and opportunities can be accessed. Choosing what to report is an important decision for a company and can be guided by determining the materiality of each sustainability topic. Constantia Flexibles combined an internal impact assessment with a broad stakeholder analysis in accordance with the AA1000 stakeholder engagement Standard. These results were used in 2017 to integrate the perspective of the Company's most important stakeholders to complete the materiality assessment. Stakeholders were 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 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.

Generally, the importance of most topics was rated as very high. 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, indicating the Company's areas of strength.

Constantia Flexibles materiality matrix



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

Business ethics

Constantia Flexibles is committed to combat bribery and any other form of corruption. Constantia Flexibles' anti-corruption-policy sets out the standards of Constantia Flexibles in complying with applicable anti-corruption laws wherever it operates. Constantia Flexibles does not tolerate bribery and therefore stipulates in its anti-corruption policy that no employee may directly or indirectly offer, promise, grant or authorize the giving of money or anything else of value to a government official to influence official action or obtain an improper advantage. The same applies to a representative of a non-government-owned commercial entity in a business transaction.

Constantia Flexibles fully recognizes the principles of free and fair competition and commits itself to comply with all relevant antitrust requirements applicable in the respective jurisdictions the Group is active. It is in accordance with the business policy of Constantia Flexibles to respect and promote fair and free competition. The

Company thus pursues a zero-tolerance policy with respect to anti-competitive practices in order to ensure compliance with the relevant competition law provisions. To enable self-control by its employees Constantia Flexibles has established a whistle blower hotline, where employees who have concern about a business situation can seek contact and advice. Furthermore, online trainings on anti-trust and on preventing bribery are provided to employees with external contact.

Innovation

As a globally active group, for Constantia Flexibles innovation represents a decisive factor for business success (i.e. permanent efforts aimed at improving products, services and production processes). This not only applies to technical and economic issues, but also to ecological aspects.

Constantia Flexibles' research and development work is carried out within the scope of projects and frequently assumes the form of joint initiatives with the global players among its key customers. Close cooperation with suppliers as well as with international universities and research institutes also serves to secure cutting edge, market-oriented developments.

Constantia Flexibles is continually developing new packaging solutions that are eye-catching and reflect current trends. By the end of 2017, the packaging expert offered a unique comprehensive solution for interactive packaging in the food and pharmaceutical industries that opens up a multitude of digital communications and marketing opportunities - the Constantia Interactive app. 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.

The newly developed app is offering patients direct access to additional information about pharmaceutical products at any time, making it safer to take medication. A chat bot allows patients to ask individual questions about the product that may not be easily answered by the packaging insert. The package insert itself is also accessible in a digital format through the app - if the printed version is ever lost or mislaid, patients will also have it digitally. In combination with a digital anti-counterfeiting identification such as watermark or another digitally readable code, Constantia Interactive is also an effective means of identifying counterfeit products.

Constantia Flexibles also has a sizeable number of patents and patent applications, which clearly indicate its strong competitive technological status. The Company has two state-of-the-art Competence Centers for Research and Development (R & D). One is the "Competence Center for Aluminium Foil and Foil Laminates" which is as well as the Group coordination for regulatory affairs located at Constantia Flexibles' largest plant, C. Teich in Austria. In this competence center, R & D experts work on the research and development of aluminum, lacquers and co-extrusion coating polymers. The second one is the "Competence Center for Polymer Films and Film Laminates" located at the Company's second largest production plant in Weiden, Germany. Their focus is on supporting product and sales managers by analyzing and testing the composition of the latest film products; on developing new film formulations with Constantia Flexibles' raw material suppliers in order to obtain the optimal quality and meet stringent food contact legislation in a transparent way; and on developing mock-ups of in-house innovations for the customers to meet long-term customer and consumer trends.

The research and development activities of the Competence Center Film, established in 2015, have been recognized in 2017 for the innovation "CompresSeal", which was one of the winners of the German Packaging Award 2017 in the category Sustainability. New

hot-embossing technology and an in-house engineered calander are used to create a film that has a higher seal integrity than standard polyethylene and weighs up to 30% less, while still having the same thickness as standard packaging. In addition, it ensures not only tighter packs, but also constant processing on packaging lines in winter and summer. The German Packaging Award is an international industry and cross-material award, recognizing innovative and creative packaging ideas in ten different categories. The premiered "CompresSeal" innovation provides customers of Constantia Flexibles with a sustainable solution to use in flow packs for coffee, nuts, savory foods, as well as Stand Up pouches for liquids.

Regarding medication packaging, 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.

As innovation is a key element of Constantia Flexibles' business strategy, the innovation process is driven by product management, by working together closely with its customers and also includes other functions of Constantia Flexibles, such as sustainability and regulatory affairs. Solutions such as bio-based products, reduction in aluminium thickness, solvent free products, etc. have been successfully developed.

Packaging innovations can not only improve the environmental impact of the packaging itself, as well as the convenience for the customer, but can also contribute to increasing the shelf life of the packaged product and therefore reduce food waste. This important role of packaging is not quantifiable within the framework of Life Cycle Assessment, but has significant impact on the amount of resources lost. 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 is also working to reduce food waste as a member of the UN Safe Food Initiative. The Safe 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.

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. The Life Cycle Assessment (LCA) studies Constantia Flexibles conducts both independently and in cooperation with the European Aluminium Foil Association (EAFA) and Flexible Packaging Europe (FPE) are fundamental to the improvement of its ecological footprint.

Moreover Constantia Flexibles has chosen a new and 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.

In the process, corporate and raw material data is automatically entered into life cycle assessments models and made available to various internal and external interest groups via web-based platforms.

As part of quality assurance and to ensure that:

- the procedures and methods for developing the underlying models follow the requirements described in the Standards ISO 14040 and ISO 14044;
- the primary and secondary data used, including their sources (e.g. background data-sets), indicators and assumptions are appropriate; and
- the interactive meta LCA-model functions correctly and delivers comprehensible results.

In 2016 Constantia Flexibles' meta LCA-model has gone through a critical review by an independent expert. In 2017 LCA data collection on plant level was further rolled out within the Company.

Consumer health

To ensure consumer health and safety Constantia Flexibles complies with all food and pharma packaging regulations applicable in the respective jurisdictions.

In the two competence centers of the Constantia Group, analytical research & development experts with state of the art analytics, laboratory tests and knowledge investigate the safety and compliance of products and set harmonized requirements and procedures to ensure compliance. In particular tests related to the supplementation of chemical-analytical capacity with a focus on food contact laws and regulations (e.g. migration & compliance testing).

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. Constantia Flexibles offers a wide range of anti-counterfeiting options powered by outstanding technology, know-how and process. Specifically, primary packaging offers the best opportunity for security because it positions anti-counterfeiting features as close as possible to the product. Anti-fraud elements such as security graphics, holo-grams 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.

Subcontracting and suppliers

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 has developed a code of conduct for suppliers. 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 the beginning 2017 Constantia Flexibles also initiated the process to actively approach suppliers to report their CO₂ emissions and other environmental indicators via an established sustainability platform, starting with selected key suppliers requesting 2016 data. This engagement was also recognized in Constantia Flexibles Supplier Engagement Rating by the Carbon Disclosure Project (CDP), where the Company achieved an A-rating. In comparison, the average score of companies evaluated by CDP within the Supply Chain programme was C-.

The code of conduct for suppliers is part of the purchasing conditions set by Constantia Flexibles. As mentioned in the section "Responsible and ethical sourcing", a revision of policies is planned for 2018.

Transparency

The Constantia Flexibles Group acknowledges its social responsibility vis-à-vis society in general, as well as vis-à-vis business partners, shareholders, and employees. Due to the great significance of transparency in this matter, Constantia Flexibles shares key environmental data throughout the supply chains and collaborates with selected platforms/projects:

Ecodesk

Constantia Flexibles is yearly reporting environmental KPIs to Ecodesk. The organization facilitates rapid ecological footprint analyses of corporate supply chains. In doing so, the platform encourages and supports suppliers in the measurement and management of relevant business issues in order to ensure sustained value creation.

EcoVadis

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 performance, while reducing the costs of monitoring supplier sustainability. Constantia Flexibles as a Group has received the gold CSR recognition level of EcoVadis, placing the Company among the top 5 percent of all suppliers evaluated by EcoVadis.

Carbon Disclosure Project (CDP)

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 (as mentioned in the section "Adaption to climate change and environmental protection"), Constantia Flexibles was again awarded with a high CDP Climate Score Rating (Management Level).

Methodology

Reporting scope

The reporting scope includes 32 Constantia Flexible production sites (reduction compared to 2016 due to the sale of the whole Labels division) which were part of the Group in 2017.

Important notes:

- Constantia Flexibles sold its Labels division in 2017;
- Constantia Flexibles closed one plant in Q2/2017, which is excluded from the scope;
- the headquarters and the sales offices were not part of the scope in the Environmental section, but are included in the Employment section;
- the reporting scope of 2017 "Social" included 42 entites (Production, Sales and Holding locations) of Constantia Flexibles globally by end of 2017. As per 31.12.2017 following changes compared to the previous year 2016 were incorporated:
 - Oai Hung
 - San Prospero
 - Alucap (including Sales Office Italy)
 - For the sites Afripack Sacks Mobeni, Afripack Sacks Brits and Pouch Dynamics, the HR indicators were inconsistently reported in 2017 and could not be corrected. Hence the sites were excluded from the HR reporting scope. This represents around 5% of the Group perimeter;
- the reporting scope of 2017 "Health and Safety" includes 32 production locations of Constantia Flexibles globally. As per 1.1.2017 following changes compared to the previous year 2016 were incorporated:
 - integration of acquisitions (productions plants):
 - Afripack Group (7 production sites),
 - Oai Hung,
 - San Prospero,
 - Alucap,
 - integration of office-locations:
 - Headquarters Vienna,
 - Constantia Business Services Austria,
 - Constantia Business Services Germany,
 - exclusion of 1 production-plant "Folding Carton" as it was sold 2016,
 - according the definition of FPE - Flexible Packaging Europe all leased personnel/temporary workers who perform day-to-day work in its operations were included in the H&S-reporting (LTIs, number of Lost Time, number of Hours Worked) as per January 1st, 2017.

Social

Employment

The employee turnover rate is calculated by counting employees who left during the year in reference to the delta of employees employed during the year divided by two.

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, electricity, steam and hot water.

Fossil fuel consumption is expressed in MWh Higher Heating Value (HHV).

Scope 1 and 2

The CO₂ emissions calculation is based on Scope 1 and Scope 2 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 GHG-emissions inventory.

System boundaries alignment

For Scope 1 and 2 emissions the following adaptations to the system (boundaries) have been set:

- in the 2016 data the sold Labels Division and the plant closed during the year 2017 were excluded from the calculation;

- in the calculations for 2017 three plants which were not included in the 2016 reporting were excluded;

- the CO₂ factors used for the calculation of the emissions are different in both years due to a yearly update. For the recalculation the factors of 2017 are used for both years.

VOC Emissions

The evaluation of VOC Emissions is based on the French *Guide d'élaboration d'un plan de gestion des solvants - Révision n° 1* and is calculated as follows:

- VOC total emissions: I1-O5-06-O7-O8.

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 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.

Water usage

The data on water usage were defined according to GRI (Global Reporting Initiative) and collected in a volume unit.

- Water Withdrawal (Input): the sum of all water drawn into the boundaries of the organization from all sources (including surface water, ground water, rainwater, and municipal water supply) for any use over the course of the reporting period.

3.2.2 Cromology

3.2.2.1 Commitments for a responsible enterprise

General policy

Since 2010, Cromology's sustainable development policy has centered on its "CORE, Commitment to a Responsible Enterprise"

initiative, through seven goals identified within the three pillars of sustainable development:

Economic	Environmental	Social/societal
Supporting customers in their sustainable development efforts	Optimizing the use of resources in products and processes	Acting for and with employees
Innovating and offering products and services that are more respectful of their users and the environment	Limiting the impact on the environment	Strengthening the group's presence in the local community
	Strengthening the environmental management system	

The policy is based on seven values defined by Cromology at the end of 2014 as fundamental principles. These guide the initiatives, decisions, choices and day-to-day conduct of the people in the Group.

These values are:

- safety;
- excellence;
- respect;
- customer satisfaction;
- imagination;
- teamwork;
- simplicity.

To read Cromology's definition of each of these values, please visit:

<http://www.Cromology.com/qui-sommes-nous/nos-valeurs>

Management's commitment

"We firmly believe that what we invent and achieve must protect and enhance the environment of those who live in it.

The ambition of Cromology and its brands is to help our customers—professionals and individuals—to increase their technical and aesthetic know-how, thus contributing in a lasting way to everyone's well-being.

Such conviction means that we are conscious of our responsibility as decorative paint designer, manufacturer and distributor to everyone—internal and external—who works for our sustainable and responsible growth.

In this way, Cromology's commitment to sustainable development is in step with our desire to combine long-term economic performance with excellence in terms of:

- the safety and social development of our employees and the sub-contractors who work on our premises;
- nature preservation;
- dialogue with the community.

Responsible development: we live it every day; and I am convinced that by honoring our CSR commitments throughout all our business activities, Cromology is making a contribution to our stakeholders and the company, creating value for them."

Gilles Nauche

CEO of Cromology

CSR governance

In 2015, Cromology formed a CSR steering committee. The committee met three times in 2017. It is composed of members from the Marketing, Supply Chain, R&D, HR, QSE and Communications departments, and the manager of an operating subsidiary, who define and manage the group's CSR strategy.

In addition to this centralized CSR effort, each Cromology subsidiary develops its own long-term approach, led by its CSR manager.

This local connection ensures that the commitments made are relevant and that all teams quickly adopt and act on them.

For example, Zolpan, one of Cromology's French subsidiaries, has its own CSR approach. Consequently, during 2017, the independent verifier SGS conducted an audit of Zolpan's CSR commitments. This audit demonstrates that Zolpan is serious about its voluntary actions to meet the ISO 26000 international standard.

Reporting Methodology

Scope and methods of consolidation

To produce the key indicators selected for this report, data were taken from the worldwide subsidiaries consolidated in the financial statements of the Cromology Group. The Argentinian business, sold in early 2018, was excluded from the scope of consolidation. Changes indicated between 2016 and 2017 were recalculated at constant scope, excluding the Argentinian entity in both periods. Cromology's scope now includes 10 industrial sites.

A specific calculation method has been defined for each indicator. Where measured data is not available, each entity produces estimates. Data are collected using report files validated by Cromology.

Responsibilities and verifications

The group's Human Resources department collects and consolidates the HR data, ensures that they are consistent, and validates them. It is the responsibility of Cromology's human resources community to produce these data in each subsidiary.

The QSE department of Cromology consolidates safety and environmental data and performs consistency checks.

Safety indicators are produced by the Safety manager of each subsidiary. The environmental experts of each Cromology subsidiary are responsible for producing the environmental data.

Each Cromology subsidiary is responsible for collecting and verifying the data it reports.

Each site director is responsible for producing the indicators and performing an initial verification of the result.

Reporting methodology

Methodological limitations and uncertainties

The reporting methods for certain social, environmental and safety indicators may have certain limitations due to the pragmatic considerations of collecting and consolidating the relevant data.

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 lost-time injury frequency rate (LT1) is the number of accidents involving the loss of one or more days of working time that occur over a 12-month period, per million hours worked⁽¹⁾. It is reported for all subsidiaries in the Cromology group and includes fixed-term and permanent contract employees, temporary employees and subcontractors.

The accident frequency rate with and without lost time (LT2) 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 travelling are included in these indicators when they occur during working hours. Accidents while commuting between home and work are not included.

Lost-time injury severity rate

The lost-time injury 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 subsidiaries.

Historically, Cromology has published LT1 and severity rates related to work accidents for which the group's Ethics Committee had identified internal means for improvement. To make this indicator more comparable to international standards, Cromology publishes in this report 2016 and 2017 work accident data reported to the French national health insurance system.

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.

(1) Working hours are calculated for Cromology personnel (actual hours or fixed amount, depending on the type of contract) and temporary workers (hours calculated by the temporary work agency). They are estimated for subcontractors (using a fixed amount per subcontractor if no monthly tracking).

There was no significant change in the number of points of sale in the Tollens distribution network. The gas and electricity consumption data used were those of 2016, in the absence of reliable and exhaustive data available for 2017.

Water consumption

Water consumption includes the consumption of water for production activities, and does not include the water for distribution networks or offices if those items not included in the overall consumption for a site. It is reported for all Cromology subsidiaries.

Waste levels

Quantity of waste generated as a % per kg of products manufactured (this rate does not take into account exceptional waste, such as asbestos disposal from buildings).

VOC Emissions

VOC emissions from fuel combustion are calculated using emission factors determined by the French National Organization for Atmospheric Emissions Inventory Methods (French Ecology Ministry, 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):

- (1) 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).
- (2) 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 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.
- (3) VOC in waste ("output 3 VOC"): these VOCs are calculated by applying either the average raw material VOC content or the average finished product VOC content 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).

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 month.

Employees whose employment contract has been suspended and participants in programs that alternate classroom study with practical work experience are counted among the workforce at the end of the reporting period. Trainees and PhD students are not counted. Workforce data is reported in terms of number of people and not full-time equivalents.

Hires & departures

New hires under permanent contracts and fixed-term contracts made permanent are counted as new hires. Departures relate solely to permanent contracts. Internal transfers between group companies are recognized at the Group level.

Absentee rate

The absentee rate for employees on permanent and fixed-term contracts is reported for all subsidiaries. It is calculated by dividing the number of calendar days of absence by the total number of calendar days² 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.

Training hours

Hours of training for employees on permanent and fixed-term contracts are reported for all subsidiaries. This figure includes in-house and external training (including e-learning). It does not include the study hours in France for participants in programs that alternate between work and study or time spent in relation to the World Day for Safety.

Social initiatives: promoting employee engagement

Cromology has 3,758 employees in nine countries. Given its manufacturing and, in some countries, distributing activities, Cromology manages a wide range of professions with employees spread across a very large number of geographical locations.

Safety first, Cromology's most important value

The safety of employees and subcontractors is the most important value of Cromology, which made the "zero accident" choice as of 2013.

Certain of the group's industrial sites and logistical platforms had no employee accidents to report in 2017. Specifically, these included Porcari and Resana in Italy, Champagné and Vémars in France and Casablanca in Morocco.

In the Zolpan sales network in France, 128 points of sale have not experienced an accident in more than 500 days and 68 points of sale have not experienced one in more than 3,000 days.

The Cromology Executive Committee and senior management teams are closely involved in these efforts to build a safety culture and pass it on to all employees. A safety indicator is included in the annual objectives of the CEOs of each subsidiary or country as well as those of many managers.

This culture of safety is based on setting an example and on an increasingly strong commitment from managers at every level.

Every new employee is made aware of the importance of the group's safety culture by their manager when they sign their employment agreement; they also sign and agree to abide by these golden rules.

Every year for the past eight years, the Cromology World Day for Safety has provided an opportunity to focus the attention of employees around the world on the need to make safety a habit.

To facilitate the sharing of experiences and promote risk prevention, Cromology has several multilingual communications tools (presentations, posters, videos) that were developed by Cromology to address different types of injuries, depending on the work environment.

They can be used by Cromology managers for their "safety minute" presentations (daily or weekly meetings led by team managers), team meetings and information meetings.

Monitoring results

Historically, Cromology has published LT1 and severity rates related to work accidents for which the group's Ethics Committee had identified internal means for improvement. To make this indicator more comparable to international standards, Cromology publishes in this report 2016 and 2017 work accident data reported to the French national health insurance system.

Safety Data	2017	2016
Lost Time Injury Frequency Rate (LT1) ⁽¹⁾	4.4	5.7
Accident Frequency Rate with or without lost work time (LT2) ⁽²⁾	5.9	7
Lost Time Injury Severity Rate ⁽³⁾	0.17	0.17

The significant decline in the number of accidents in 2017 compared with 2016 resulted from implementation of safety plans in Cromology's subsidiaries over the past few years.

For every injury, with or without lost work time, as well as for the most significant incidents, the relevant subsidiary performs a root-cause analysis to determine what preventive and corrective action should be taken.

In 2017, Cromology conducted nearly 4,000 safety inspections throughout its production, logistics and distribution sites, nearly 45% more than in 2016, at constant scope.

Throughout the Group, targets were set in each subsidiary for employees to report unsafe situations and near-accidents. Employees identified nearly 9,000 unsafe situations and near-accidents in 2017—twice as many as in 2016 at constant scope.

Cromology aims to continue increasing the number of reported situations in 2018 by deploying "Visual Management", following the very positive experience on the Vémars logistics platform in France since the beginning of 2017. "Visual Management" consists in implementing visual tools in each workshop to enable a visual reading of the security situation of the site. These tools serve as a backup to employee vigilance. Each subsidiary has a process for handling these situations so they can quickly respond in each case.

Behavior Based Safety (BBS), already in place at Cromology Italia, with excellent results, has been implemented at Cromology's other subsidiaries. It involves allocating time to safety where employees observe each other in a positive atmosphere and give each other advice on their behavior, to improve safety in their day-to-day work.

A poster campaign, created by Cromology to regularly remind employees about risky situations and to increase their awareness, was launched throughout the Group in December 2016. Twelve "shock" posters will be circulated in the language of each country every two months until 2018.

Likewise, a safety awareness video intended for new hires has been made available to all subsidiaries in their local language.

In addition, various subsidiaries are taking initiatives to increase prevention:

- Cromology España set up a Safety House at its Les Franqueses industrial site. This space is used for safety minute meetings, warm-up sessions before starting work, and all safety awareness meetings.

(1) LT1: number of lost-time injuries per million hours worked among employees with permanent or fixed-term contracts, temporary staff and subcontractors.

(2) LT2: number of injuries with or without lost time per million hours worked among employees with permanent or fixed-term contracts, temporary staff and subcontractors.

(3) Severity rate: number of days of working time lost following a work-related accident, per 1,000 hours worked among employees with permanent or fixed-term contracts, temporary staff and subcontractors.

- At Cromology Research & Industry (CRI), the Group subsidiary that encompasses the production, logistics and R&D sites in France, employee warmup sessions have been rolled out in production and logistics with very positive feedback. Every year, employees ask the sessions be renewed.

CRI also finalized an audit with an external service provider to prevent and reduce work stress. The employee representative bodies and employees were informed about it.

- with its Tollens and Zolpan distribution networks, a standard safety communication board has been installed in each store.
- certain subsidiaries have individual or site-level prevention initiatives. Zolpan, for example, awards prizes for the best programs.
- to support the deployment of the safety culture among its managers in France, Cromology has them take an in-house training program. This two-day program was designed by an external service provider and aimed at Cromology's 560 managers; deployment began in 2015 and continued into 2017.

Incorporating the safety culture into industrial practices

All of Cromology's industrial sites have been OHSAS 18001 certified since 2015.

Italy and Portugal have triple ISO 9001, ISO 14001 and OHSAS 18001 certification.

In 2018, CRI will be ISO 9001, ISO 14001 and OHSAS 18001 certified.

Organisation of Human Resources

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.

The HR department at Cromology promotes collaborative work and coordinates a community of HR Directors to facilitate the sharing of best practices, by organizing an annual HR meeting, for example.

Because of its size, France has a special coordination process, with an HR department meeting about every two months and information sharing on transverse projects.

Cromology's HR department defines and disseminates 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 also assumes the following responsibilities:

- support and apply the commitment to safety made by Cromology and ensure that its organization functions in a way that exemplifies 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 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 adapted 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 labor laws.

Fostering employee engagement

Measuring engagement

Since 2010, Cromology has encouraged employees in its subsidiaries to participate in the Great Place to Work® surveys held every two years to measure employee satisfaction and commitment. In 2018 all subsidiaries will carry out this survey. When the survey was initiated in France in 2016, the three French subsidiaries (CRI, Tollens, Zolpan) recorded an average participation rate of 87%.

The results were evaluated for each of the subsidiaries' managerial entities, then consolidated by subsidiary, leading to action plans that are the best fit for the relevant employees.

This questionnaire also evaluated how employees view the quality of their work life, which is a prerequisite and essential condition for increasing employee engagement.

Implementing action plans

The analysis of results of this survey in France had led to action plans being implemented for communication, leadership and participative management.

These actions will then be added to the actions already in place as a result of previous surveys.

Cromology España and Tintas Robbialac continued the initiatives implemented in 2016.

In particular, Tintas Robbialac set up 12 working groups, representing 20% of the total workforce, to determine how to improve future results of the Great Place to Work® survey.

Cromology Italia held its first Great Place to Work® survey in 2017.

Internal communication

Organization

A Communications department was created in 2014, and it reports directly to the CEO of Cromology.

Initiatives

This department works to strengthen the internal communications tools. Consequently, it took the lead in creating and implementing the Cromology group's intranet, which is available to all employees. This intranet is intended to share best practices and initiatives in the countries where Cromology operates, recent news about the Group, the full employee directory and employment opportunities.

The Communications Department also runs meetings throughout the year to report on Cromology's development strategy. For the past three years, an annual event has been held for new employees in France, during which they meet senior management and visit a production, logistics and R&D site. Once a *quarter*, executives from the Management Committees of all subsidiaries are invited to a Group Management Meeting via video-conference. The company's targets and results, ongoing projects, and successes are communicated and discussed. These regular meetings give subsidiary executives up-to-date information about the Company that they can share with their teams.

A newsletter was launched in 2017 to provide additional information; it will be published every four months.

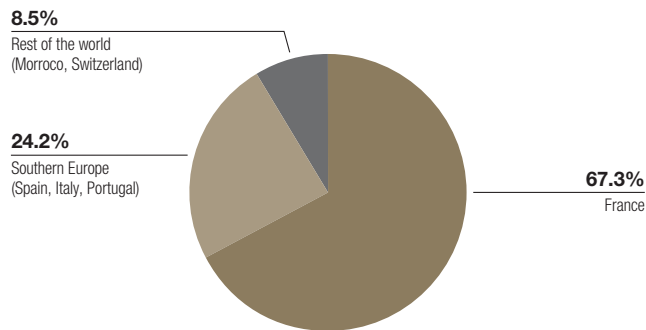
More information about company events is being disseminated all the time. In addition to new intranets in subsidiaries that did not already have one, based on the Group intranet model, there have been numerous local initiatives in the various subsidiaries. For example, in 2017:

- Tintas Robbialac and Cromology Italia started a quarterly newsletter and invited all employees to an annual convention;
- regular, organized and structured information meetings are increasing at CRI, in the Tollens network, at Vernis Claessens and in Spain, where the Espacios initiative was launched. Every six months, the Executive Committee of this subsidiary spends a full day updating employees in small groups on company strategy, new product launches, and results, thereby fostering fruitful discussion.
- in France, as part of the Group transformation project launched in 2017, employees receive regular information about new initiatives in the form of monthly newsletters or by attending regional information meetings.

Workforce

In 2017, the group's salaried workforce declined by 4.8%, principally because Cromology divested from Colorin in Argentina and sold or closed certain points of sale in Italy.

Breakdown of staff by geographic region



Absenteeism

The absentee rate increased from 3.0% to 3.3%, a level comparable to 2015. Since 2016, absenteeism has also been calculated on fixed-term contract employees; previously it was only calculated for permanent contract employees.

Hiring, training and professional development

In a services industry like that of Cromology, employees are key and can make a lasting difference with respect to competitors.

New employee integration

In 2017, Cromology hired 376 new employees on permanent contracts. And 73 employees had their fixed-term contracts made permanent.

Each new hire is an opportunity to strengthen Cromology as a whole with employees skilled in their field, whose commitment supports the Group's growth and development.

Recruitment procedures have been strengthened. Candidates systematically meet several interviewers. In particular, candidates for travelling sales positions meet the heads of the distribution networks.

For candidates selected for the final phase of the process, at least three of their references are verified. More sourcing is taking place via job boards and through social networks.

Before resorting to external recruitment, priority is given to people already employed in the Group who have demonstrated, through their performance, their potential for advancement.

In September 2016, 19 newly-hired permanent contract employees at Couleurs de Tollens took part in an onboarding program called "Académie des Métiers" (academy of trades). These employees received training one week per month, culminating in July 2017 with the delivery of a professional qualification certificate recognized by the industry. At the end of this period, these employees, who work at sales outlets the rest of the time, were trained in the skills of in-store sales consulting, products and company procedures, and will have a new skills qualification. These employees were very carefully recruited, and only the most motivated candidates were hired. Out of 1,000 persons expressing interest, 100 were interviewed and 19 were hired.

Couleurs de Tollens is continuing this program in 2018, with 13 new permanent hires, and Zolpan recruited 15 people to be trained under the same program leading to the same professional qualification.

Initiatives for easing the integration of new employees are becoming the rule. In Portugal, in Switzerland, at CRI and at Tollens, a number of initiatives have been instituted, such as information and onboarding programs, welcome packages, training courses, visits to stores and/or industrial sites, and product training programs.

Training

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. Investment in training remains both constant and high. In 2017, 81% of the Group's employees took part in at least one training session. The average number of training hours per employee was 21 hours, corresponding to around three days. External training costs were down slightly, remaining above €670 per person trained.

Cromology Italia and Arcol in Morocco invested heavily in training in 2017, offsetting the decline in the number of hours in Portugal, which is now in line with the group's guidelines, and at Couleurs de Tollens, which reduced its expenditures in 2017.

Cromology University held its third session in 2017. This custom-designed one-week residency program, developed by HEC Paris and led by its faculty, brought 100 managers together for three sessions on HEC's campus in 2016 and 2017. The purpose was to develop a common performance culture based on a shared set of values and key competencies. This program focuses on key persons and those with key skills at Cromology.

Cromology University will be followed by a second course for people with key talents. It will be more oriented around leadership, in today's transformation environment.

Annual Performance Appraisal (APA)

The APA is an important event in the relationship between an employee and his or her manager. It is a time for discussion of the employee's overall performance and achievement of the goals set in the beginning of the year. This forms the basis for determining the portion of variable pay.

It is also an opportunity to discuss the employee's skills development and personal ambitions, training needs and the manager's management style.

The performance evaluation document for Top Managers (HR1) was upgraded during 2017. It is based on both the level of achievement of annual objectives and performance in the position. This performance measurement is taken across the Group's seven values and 13 criteria for performance and managerial approach.

The objective of the upgrade was to harmonize performance measures. For each of the 20 criteria, performance levels ranging from 1 to 4 were defined, enabling managers to better position their evaluation. Apart from recognizing skills, the goal is also to identify progress achieved and to determine action plans.

The APA is implemented in all group subsidiaries and is intended to reach all employees. The percentage of managers having completed APAs was around 80%.

Succession plan

Each subsidiary reviews its succession plan annually.

The succession plans for the Management Committee members in each subsidiary are consolidated by the group's Human Resources department, to be presented to and discussed by Cromology's executive management. These plans help the Group ensure that it has the right people in place for its future development or that the necessary steps (training, mobility, recruitment, etc.) are being taken to achieve this objective.

The group's annual succession plans are driven by the succession planning and people-review process, which is increasingly used by the various subsidiaries.

Employees with high potential, key personnel and experts

The Group Human Resources department manages a process for identifying high potentials, "key" personnel and experts. Based on annual evaluations and a set of predefined criteria, each subsidiary has submitted proposals. After discussion with group management, a list of people to be closely followed was drawn up and has been regularly updated.

Compensation

The compensation policy of Cromology is coordinated with its subsidiaries and adapted to take into account specific, local market characteristics.

Compensation policy is based on adherence to the following principles:

- compliance with applicable regulations and the minimum contractual salary in force;
- recognition of individual and collective performance;
- desire for internal equity;
- consistency with local market conditions and price changes.

All of the group's subsidiaries encourage and implement variable compensation systems to enhance individual and/or collective performance.

The Human Resources departments in each subsidiary conduct periodic benchmark studies to ensure that compensation is consistent with market levels. Each year, Cromology subsidiaries engage in negotiations that enable a significant number of local collective agreements to be adopted regarding compensation or other HR topics (40 agreements in 2017, including 19 specifically for compensation).

In 2017, personnel expense decreased by 2.2% compared with 2016, driven by a decline in the workforce, but increased by 0.5% to 26.15% of Cromology's topline revenue, which declined during the year.

Organization of work

Each Cromology subsidiary ensures that its business activities comply with local regulations. The continuous improvement of working conditions and organization is also an important element of each group subsidiary's human resources policy for improving company performance.

The various HR departments have been very involved in the organization and reorganization efforts: reorganizing the logistics platforms, reducing the number of regions in the French distribution networks, and integrating acquired companies (Switzerland and France).

In addition to collective agreements on compensation, 21 local collective agreements were signed in 2017 in areas related to working time, training, safety, health and diversity.

Diversity

Cromology fights all forms of discrimination, and carried out various initiatives to help people in difficulty.

In France, the Zolpan subsidiary is a signatory to the Diversity charter, and belongs to the "1,000 jobs/1,000 enterprises" association that provides assistance to people experiencing difficulties (contact and assistance, meetings, etc.).

For the handicapped, Cromology has signed agreements in France with adapted employment centers or sheltered workshops. Cromology also notifies specialized organizations for the employment of people with disabilities of the job openings the Group must fill. To address at-risk youth, CRI signed a partnership agreement with the "second chance" school in Clichy in the western suburbs of Paris. Initiatives included résumé coaching, practice interviews and internships for young people without a degree or qualification to encourage them to go back to school.

Freedom of association

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

Summary of human resources indicators

Human resources indicators	2017	2016	2015
Workforce			
Group workforce	3,758	3,947	3,893
of which permanent contracts	3,576	3,809	3,744
as a %	95.2%	96.5%	96.2%
of which fixed-term contracts	182	138	149
as a %	4.2%	3.5%	3.8%
of whom women	1,106	1,103	1,091
as a %	29.4%	28%	28%
of whom men	2,652	2,844	2,802
as a %	70.6%	72%	72%
New hires in the Group	469 ⁽¹⁾	519 ⁽¹⁾	337
of whom women	160	141	106
as a %	31.9%	27.2%	31.5%
Departures from the Group ⁽²⁾	497	466	348
of whom women	160	133	99
as a %	28.5%	28.5%	28.4%
Breakdown of staff by geographic region			
France ⁽³⁾	67.3%	63.7%	64.8%
Southern Europe (Spain, Italy, Portugal)	24.2%	23.3%	23.6%
Other countries (Belgium, Morocco, Switzerland)	8.5%	13%	11.5%
Personnel expense as a % of sales	25.5%	25.5%	24.9%
Absenteeism	3.3⁽⁴⁾	3⁽⁴⁾	3.2
Training			
Number of employees having completed at least one training program	3,046	3,084	3,163
% of employees having completed at least one training program	81%	78.1%	81.3%
Average number of training hours per employee	21	17.6	19.1
External training costs as a % of payroll	0.9%	1%	0.8%
Personal safety⁽³⁾			
Number of work injuries with at least one day of lost time	30	29	29
Number of work injuries without lost time	10	9	9
Rate of injuries with lost work time (LT1)	4.4	5.7	
Rate of injuries with or without lost work time (LT2)	5.9	7	
Severity rate ⁽⁴⁾	0.17	0.17	
% of industrial sites with OHSAS 18001 certification	100%	100%	100%

(1) Permanent contracts and fixed-term contracts made permanent.

(2) Permanent contracts only.

(3) Includes employees working in Belgium and Luxembourg.

(4) The 2016 and 2017 values are calculated for employees with permanent and fixed-term contracts, whereas the values in prior years were calculated based on employees with permanent contracts only.

(5) Scope including permanent, fixed-term and temporary employees and subcontractors.

(6) Severity rate: (number of days of working time lost x 1,000)/number of hours worked.

Environmental initiatives

Respect for the environment is an important aspect of Cromology's culture. The Group devotes more than of its investments to the environment every year.

Cromology has developed an environmental strategy based on three priorities:

- strengthening the environmental management system;
- optimizing the use of resources;
- reducing its environmental impact.

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

Strengthening the environmental management system

Cromology continues its efforts to prevent risks and reinforce environmental management at all of its industrial sites through the gradual achievement of ISO 14001 certification. Seven Cromology sites, representing 47% of its industrial and logistics sites, are now certified to this standard.

Optimizing the use of resources

Resource consumption at Cromology is directly proportional to its volume of activity.

Energy management and improved energy efficiency

Cromology continued its initiatives to improve energy efficiency to diminish its environmental impact and energy costs.

The group's energy consumption totaled 192 TJ in 2017, up 2.6% from 2016 at constant scope, while production volume increased by 33% over the same period at constant scope. The increase resulted in part from the overall increase in production. Emissions of NO_x declined by 6.9%, while emissions of CO₂ declined by 4% at constant scope. These declines came about in part because the energy mix changed. Gas consumption declined, in part because the winter was not as cold in 2017 as it had been in 2016 and electricity consumption increased.

VOC emissions decreased by 19% at constant scope. This resulted from the new calculation methodology at the Champagné (France), Casablanca (Morocco) and Les Franqueses (Spain) sites.

In 2016, an energy audit was performed in Europe, in line with European directive 2012/27/UE, with regard to the relevant subsidiaries: Italy, Portugal, and the Zolpan and Tollens networks. An action plan is being considered for each subsidiary.

Water management

The group's total water consumption in 2017 was 147,347 m³, down 1.3% (vs. 145,442 m³ in 2016), while business volume increased by 33% at constant scope. Its Chemical Oxygen Demand (COD)⁽¹⁾ was constant between 2016 and 2017, increasing only 1.3% at constant scope from 37.0 metric tons to 37.3 metric tons. Total suspended solids (TSS)⁽¹⁾ increased by 25% over the same period.

A number of Cromology's industrial sites have been designed so as not to discharge any wastewater into the environment, such as at the Wormhout (France) site. Within the scope of its ongoing improvement efforts, specific investments are made each year to improve industrial wastewater treatment and reduce discharges from the relevant activities.

At the La Bridoire site in France, a new technical/economic "zero waste" study is underway. It follows significant R&D work to optimize the recycling of washwater and reduce discharges. On this site in 2017, 28.5% of all water used in production was recycled.

At Les Franqueses site in Spain, a new biological water treatment unit was installed at the end of 2014 and is now fully operational.

At the Casablanca (Morocco) site in 2016 and the ICP (France) site in 2017, new water treatment plants were installed. They have significantly improved the quality of wastewater discharges.

Water discharges increased by 11% at constant scope (66,737 m³ vs 60,124 m³), as a result of the 33% increase in production at constant scope. Optimizing the recycling of washwater made it possible to limit this increase, despite the sharp increase in production.

Raw material management

The processes employed by the Cromology group in its activities produce very little loss or waste.

Between 2014 and 2017, the level of waste as a percentage of volume manufactured was 4.3% in 2014, 3.7% in 2015, 5.7% in 2016 (at constant scope) and 4.5% in 2017.

The decline in 2017 resulted from better communication to avoid breakage and from special operations, such as eliminating smaller quantities of non-moving inventory.

(1) Measurement performed for wastewater discharges from industrial processes.

Working closely with its packaging suppliers, the Group was able to reduce its consumption of petroleum-based raw materials by using regenerated plastics. For example, Cromology's principal supplier of plastic packaging has committed to using up to 20% regenerated polypropylene in the manufacture of its packaging products.

As a color expert, Cromology manages the entire preparation and manufacture of all its colorants for perfect and timeless colors. Consequently, Cromology provides its integrated and partner distribution networks with colorants manufactured in its own factories. Cromology has been replacing the rigid plastic packaging of these products with flexible materials since 2015. This has reduced the volume and weight of the packaging (cumulative total of nearly 109 metric tons since 2015), and the energy needed to manufacture and transport them. In addition, this type of packaging allows the client to maximize the use of product content, which results in the least product loss (22 metric tons since 2015). Cromology's efforts were rewarded in November 2017, when the Company received the "Eco-friendly" packaging prize from CONAI, the Italian National Packaging Consortium.

Limiting the impact on the environment

Management and disposal of industrial waste

In 2017, Cromology's activities generated a total of 12,300 metric tons of waste, a year-on-year increase of 5% at constant scope (excl. Argentina). This increase essentially derived from an increase in non-hazardous waste generated at two sites. All of this waste is treated by specialist subcontractors using the best techniques available and accredited by local authorities.

The weight of waste classified as hazardous under the European Waste Catalogue increased by 4.6% at constant scope (excl. Argentina). This result was caused by certain specific waste operations. Some value can be recovered from certain types of waste, such as plastic wrap.

Noise pollution

The noise generated by Cromology plants is limited. Noise levels are monitored at all industrial sites, in accordance with local legislation and OHSAS 18001 certification, and formal action plans are implemented.

All of Cromology's industrial sites have been OHSAS 18001 certified since 2015.

Land use

The land footprint of Cromology's industrial activities and their direct impact on land are not significant and do not warrant close tracking of land use.

Adaptation to the consequences of climate change

Cromology's activities are not directly impacted by the consequences of climate change. Accordingly, the Group has not developed a global policy in this area.

Measures to protect and enhance biodiversity

No major, immediate impact from the industrial activities of Cromology has been identified. General efforts to reduce the use of resources and environmental impact also ultimately contribute to protecting biodiversity. Accordingly, the Group has not developed an overall policy to protect biodiversity in the areas surrounding its industrial sites.

Estimate of significant sources of Greenhouse Gas Emissions (GGE)

In accordance with Decree 2016-1138 of 19 August 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 "carbon database" was used.

The 2016 study shows that the significant sources of greenhouse gas emissions are:

- purchases of raw materials, packaging and services (80%);
- downstream transport, from logistics centers to points of sale or directly to clients (12%);
- upstream transport, from manufacturing facilities to logistics centers (3%).

"Purchases" includes all greenhouse gas emissions from extraction to distribution of raw materials to the product manufacturing facilities.

Summary of environmental and social indicators

Environmental indicators	2017	2016	2015
% ISO 14001-certified industrial sites	70%	47%	44%
Waste produced (% of production volume) ⁽¹⁾	4.5%	5.8%	3.7%
Energy savings (TJ)	192.0	197.9	186.2
CO ₂ emissions (metric tons)	3,647	4,156	3,718
NOx emissions (metric tons)	3.93	4.59	4.06
SOx emissions (metric tons)	0.40	0.87	0.35
Volatile Organic Compound (VOC) emissions (metric tons)	138	190.8	114.6
Water consumption (m ³) ⁽²⁾	147,347	155,753	158,504
Chemical Oxygen Demand (COD) (metric tons)	37.3	37.8	47.8
Suspended solids (metric tons)	32.4	26.1	25.3

(1) 2016 : (2016: Inclusion of wastewater at the Resana site reclassified as "Waste" because it is collected by an external service provider and treated outside the site.

(2) Water consumption does not include the water for distribution networks.

Societal initiatives

Cromology's commitment to the community focuses on two actions:

- innovating, to design and offer products and services that are increasingly respectful of the environment and its customers and users: professional painters, retail customers, independent and big box DIY distributors, architects, and public and private builders; and
- strengthening its production and operations in the communities where Cromology is growing its industrial and sales activities.

Innovating and offering products and services that are more respectful of their users and the environment

Cromology has an aggressive innovation policy: more than 23% of its 2017 sales were achieved with products less than three years old.

Cromology achieved its goal of reducing the volatile organic compounds (VOC) emissions of its products over a ten-year period. Nearly 90% of the paints in its product ranges are now water-based.

Cromology also adheres to a voluntary comprehensive research and development approach focused especially on respect for the environment.

Cromology thus 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 2017,

new products meeting the most demanding VOC content labels⁽¹⁾ (Ecolabel, TÜV) or VOC emission level⁽²⁾ (A+, TÜV) represented nearly two-thirds of the sales of products less than three years old. In France, for example, Tollens and Zolpan launched products under the German TÜV label that limit the VOC rate to less than 1 g/l for interior paint; this is 1/30 of the content limit under European regulation, and 1/10 of the content limit for the European Ecolabel.

In addition, Cromology is marketing an anti-formaldehyde paint that reduces indoor air pollution by absorbing major pollutants. This is a major innovation. When used on the four walls and ceiling of a room, the amount of pollutants in the indoor space can be reduced by up to 80%. In 2014, this innovation was named Innovation of the Year in France by Castorama, and in 2016, "Ondipour", the same product in the Zolpan line, received the "Trophée du Négoce" from the magazine Négoce.

Cromology is a pioneer in exterior thermal insulation (ETI), with 15 million square meters installed since 1975, and is constantly extending its range of external insulation systems (about 5% of its sales) to improve energy efficiency and comfort in buildings. For example:

- the second generation of a fire-resistant paint, involving a major change in formulation, was launched in 2011;
- colorants using "cold" pigments that can be adapted for use in ETI systems were launched in 2014.

In 2017, 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 labelling changes.

(1) VOC content (g/l of paint) is the quantity of volatile organic compounds found in the paint formulation.

(2) LVOC emission (µg/m³ of air) is the level of volatile organic compounds emitted into indoor air after the paint has been applied and dried.

Strengthening its presence in the local community

Impact on employment and regional development and on neighboring or local populations

The impact of Cromology's business activities, and the activities resulting from the use of Cromology products, are mainly local.

Through its business, Cromology contributes to the construction and renovation of housing, commercial real estate and infrastructure, the vast majority of which are local markets.

Most of the group's production operations are also carried out locally. In 2016, the share of Cromology revenues generated by products sold in the regions where they were produced was more than 95%.

Similarly, Cromology's policy for purchasing raw materials and packaging in Europe is to give preference to European suppliers in an effort to reduce its transport costs and have better accessibility and availability of the manufacturers. A study is underway to put priority on maritime rather than road transportation of raw materials. Cromology is currently testing the transportation of emulsions to its Wormhout site in the north of France from a supplier several hundred kilometers away by boat rather than by truck.

Partnership and sponsorship initiatives

Cromology allows its teams in each country to choose their own local initiatives.

They tend to work with the associations or organizations in which Cromology group employees are volunteers.

In Morocco, the Arcol subsidiary has run a program to renovate rural schools through skills volunteering and paint donations since 2015. Twenty-one schools and nearly 6,000 students have benefitted from this initiative and the distribution of school supplies.

In France, Tollens partners with Institut Imagine, the largest European research center for childhood diseases. Among other initiatives, Tollens donated half of the 13,000 liters of paint needed to embellish the new building inaugurated by the Institut in 2013.

Since 2009, Zolpan has offered 44 sustainable development grants to projects being supported by Zolpan employees who volunteer their personal time. The beneficiary organizations most often provide services to needy individuals, protect cultural heritage, or promote sports.

Many subsidiaries also promote culture and the arts:

In Portugal, Tintas Robbialac has partnered with Museu Coleção Berardo (Lisbon) since 2011. Tollens is a partner of three museums in France: Musée d'Orsay (Paris), Musée de l'Orangerie (Paris) and 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 in 2015 to the fresco portrait of Paul Bocuse, also in Lyon.

Relations with suppliers and subcontractors

Purchases represent a significant portion of Cromology's expenses. The Purchasing department is committed to developing best practices with regards to CSR and discusses topics related to Cromology's CSR policy with suppliers: in particular, the innovation policy for more environment- and user-friendly products, and management of the environmental impact of its production activities.

Cromology's two main purchasing categories are:

- "raw materials and packaging" to manufacture and package its paints; and
- "trade products" to provide its customers in its integrated stores with tools and equipment for painters and floor and wall coverings.

Cromology initiated a quality audit process in 2015, covering raw materials and packaging suppliers. The internal reports from these audits also included an assessment of the safety and environmental areas.

In June 2017, Cromology held its second "Suppliers Day", with nearly 70 representatives from its strategic suppliers of raw materials, packaging and products for resale. The first Suppliers Day was held in 2015. This seminar allows Cromology to strengthen relationships with its strategic suppliers over time, to encourage them even more to understand its product innovation strategy, which is oriented among other things toward respect for the environment and the well-being of the users of its paints.

Preventing corruption

Cromology works to ensure that its employees follow fair business practices and comply with applicable regulations in this area.

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 presented to the Executive Committee. Each Cromology Executive Committee member, including all the CEOs of the operational companies, signed Business Conduct Guidelines that incorporate the anti-corruption charter.

In 2015 and the beginning of 2016, all Executive Committee members of the Cromology group's operational companies agreed in writing to implement it.

The anti-corruption charter was updated in 2017 to take into account the requirements of the Sapin 2 law. In accordance with Sapin 2, the charter was integrated into the internal regulations of the Cromology group's French companies. Employees in the field received training on corruption risks and on the application of the anti-corruption charter.

Commitment to human rights

The Cromology group refuses to use any child or forced labor.

The Business Conduct Guidelines also incorporate by reference the "Cromology Group Policy Regarding Compliance with Trade Control Law", which governs trade with certain countries. The

CEOs of the operational companies have made a commitment to follow procedures aimed at ensuring that the Cromology Group does not deal with countries subject to international sanctions. These include countries considered to violate human rights.

3.2.3 Stahl

Sustainability & Corporate Social Responsibility (CSR)

A sustainable future

Stahl's membership in the UN Global Compact and its alignment to the 17 UN Sustainable Development Goals is a clear indication of its commitment to a more sustainable future. To demonstrate its progress, the Stahl sustainability report is submitted each year to the UN Global Compact.

Goals and Strategy

Stahl's goal is to achieve a "crystal clear" supply chain and its strategy is to initiate and sponsor projects that promote transparency in the markets that it serves. This usually involves deep collaboration with its partners in the supply chain. Stahl chose this strategy because it believes that only through transparency can a more sustainable industry be achieved. Its influential position in the supply chain, as a provider of solutions to manufacturers of materials used in the automotive, apparel, home furnishing, footwear, garment and other related industries, has also been a factor. Stahl also recognizes that sustainability represents a significant opportunity, to gain competitive advantage and to drive operational excellence throughout the Company.

Stahl's definition of sustainability

- The promotion of environmentally and socially responsible practices
- The use of natural and renewable resources wherever possible, as long as the environmental impact of their use is favorable
- The reduction of Greenhouse Gas (GHG) emissions

Governance

At the corporate level, the sustainability team is led by Michael Costello, Director of Sustainability, who reports to the CEO Huub van Beijeren. The Sustainability team meets regularly with product managers, researchers, product stewardship and operations staff to monitor the implementation of its strategy and to discuss progress on new initiatives related to innovation, portfolio management and

environmental performance. The Sustainability team also supports commercial activities initiated by customers that are related to sustainability. A summary report is sent to the Stahl Board each month. KPIs related to safety, health and environment are also measured and reported monthly by regional operational staff at the Stahl manufacturing sites around the world. These KPIs are then consolidated into a global report, which is sent to the Stahl Board each month.

Code of conduct

In April 2013, Stahl introduced a code of conduct for business partners. This CoC focuses on topics linked to human rights and the environment and should be respected by those parties with whom Stahl does business.

- Laws and regulations
- Business integrity
- Free and fair competition
- Confidentiality
- Protection of Intellectual Property
- Environment
- Human Rights
- Discrimination
- Modern Slavery
- Working hours
- Child and forced labour
- Health and safety

Whistleblower policy

A whistleblower policy is in place with clear rules that allow employees to report suspicious behavior that could be in conflict with the code of conduct, with the necessary protection guarantee for the whistleblower in question.

Training programs on code of conduct topics

In late 2017, Stahl launched e-learning training programs focused on bribery, corruption and modern slavery. 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 and to the red flags that can indicate non-compliant behavior in the supply chain. 1,200 employees (more than 50% of the total workforce) are targeted for the first phase of this training, which will be completed in Q1 2018.

3.2.3.1 HR - Highly committed to developing employee skills

Employment

As of December 31, 2017, Stahl had 2073⁽¹⁾ employees (2049 FTE¹), an increase of 220 FTE's compared to 2017. Stahl acquired BASF's leather chemicals division in October 2017. Stahl acquired Viswaat Chemicals Ltd., (India) in April 2016 and Eagle Performance Products (USA) in November 2016. In May 2014 Stahl acquired Clariant's Leather Services Business.

Breakdown of full-time equivalent employees as of December 31, 2017 by geographic region

Region	2017	2016	2015	2014
EMEA	975	860	835	811
Asia-Pacific	406	355	347	339
India and Pakistan	349	307	287	278
North and South America	319	306	298	312
TOTAL	2,049⁽¹⁾	1,828	1,767	1,740

(1) Including BASF's leather chemicals division.

87% of Stahl's employees are on permanent contracts. Its workforce is 77% male and 23% female. Total Full Time Employees (FTE) leaving (dismissals and resignations) during 2017 were 151 and 395 joined in the same period. These ratios are reasonable and in line with the market for the kind of activities and the location in which they take place. The turnover rate in 2017 was 14.2%.

Working Organization

Stahl operates through a complex international organization for historical reasons and also to effectively serve the customer base. Currently it has 13 manufacturing sites, 11 R&D centers, 38 application labs, 35 sales offices and 7 Centers 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 morning. 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, commuting 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 2017 was 1.57%, compared to 1.58% in 2016.

(1) Including BASF's leather chemicals division.

Social Relations

Given the international set up of Stahl and the relatively small dimension of the local units, there are only two local company collective bargaining agreements in place. These are negotiated at local level with the direction and supervision from the Headquarter. Level of salaries and other means of remuneration depend on the individual countries. They are also 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 measurable objectives. This bonus scheme is coordinated centrally to ensure proper alignment and consistence with local practices.

Compensation

Total compensation excluding bonus, paid in respect of 2017 was €108 million, approximately 5.1% above 2016.

Training

The nature of Stahl's business requires a focused approach to training. SHE (Safety, Health and Environment) training is the priority. Every new employee receives updated SHE 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.

The Management Training Program, with its focus on managerial and leadership skills, was introduced in 2013. In this international training program, more than 160 middle managers participated between 2013 and 2017. This initiative has been a significant success and has shown considerable benefits already. From June 2017 to September 2018 another 60 middle managers will participate in this Management Training program. Follow-up masterclasses are being organized between November 2017 and June 2018 for 60 middle managers.

Training hours

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 is 12.3 hours per FTE. Safety awareness campaigns are excluded.

Equality

Stahl tracks the ratio of male/female employees and the percentage of female employees in management positions. In 2017 there were 77 women in management positions, which represent a ratio of 3.7% on total positions, compared to 3.9% in 2016.

The nature of Stahl business and the need to respect strict security and eventually emergency measures, somewhat limits the opportunities for disabled employees; there are currently 16 persons in this category, compared to 16 persons in 2016.

Human rights, modern slavery, anticorruption

Stahl's code of conduct strives that human rights and the environment are respected by those parties with whom they do business. Related to this, a whistleblower policy is in place with clear rules that allow employees to report suspicious behavior that could be in conflict with the code of conduct, with the necessary protection guarantee for the whistleblower in question.

In late 2017 Stahl launched e-learning training programs focused on anti-bribery and anti-corruption and early 2018, the e-training on modern slavery will be launched. 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 behavior in the supply chain. 1,200 employees (more than 50% of the total workforce) are targeted for the first phase of this training, which will be completed in Q1 2018.

Diversity

Stahl will communicate its policy on diversity in 2018 (Stahl Group Diversity and Inclusion Policy) and is committed 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. 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.

The diversity policy applies to Board membership too. The composition of the Board of Stahl Parent BV in 2017 was two female and eight male members, from diverse backgrounds and age groups.

Consistent with Stahl's strategy of growing Stahl's leadership talent, Diversity and Inclusion principles are also embedded within Stahl's core leadership development programs to encourage managers to demonstrate them as part of their leadership behavior. Stahl will also build cultural intelligence and equality into Stahl's performance review, hiring and talent identification processes.

3.2.3.2 Safety, Health and Environment (SHE)

Introduction

Stahl believes that the impact of its business activities on the Safety, Health and Environment of its customers, employees, agents and the public at large is an integral and essential part of conducting business. Stahl is committed to achieving the highest standards in SH&E, as outlined in its policy statement:

"In pursuit of its business objectives, Stahl's SHE policy is to manage all activities to the benefit of society without hurting anyone, annoying our neighbors or harming the environment"

Safety, Health and Environment (SHE) policy

Stahl believe that anything is possible as long as we work together. A safe working environment is vital to our success and is achieved by working together and living up to our responsibilities. Safety is not only about wearing the right clothing; it is a way of life and a mindset that protects us, our families, our Company and our environment. A safe working environment is a collective achievement and each employee is an important link in the safety chain. Safety needs constant attention and improvement.

Stahl's SHE policy is to manage all activities without hurting anyone, annoying its neighbors or harming the environment. Driving this policy are the following key principles:

- safety, health and the environment have first priority;
- obey all laws and be a responsible corporate citizen;
- identify hazards and establish appropriate controls for risks, potential adverse environmental impact and regulatory requirements in the invention, manufacture, sale and use of its products;
- provide customer care with all products throughout the supply chain;
- the goal is to eliminate all injuries, occupational illnesses and environmental incidents;
- report and investigate all incidents, then take corrective action and share learning;
- assure that employees and agents have appropriate competence for their roles;
- define SHE requirements in simple, clear terms and communicate them to all employees and secures their involvement;
- report, monitor and audit all aspects of SHE performance to confirm compliance and planned continual improvement;
- celebrate and reward excellence in SHE performance;
- require all employees to accept personal responsibility for their own safety and health and that of their colleagues.

Stahl's SHE organization

All Local Managers and General Managers are responsible for implementing the Stahl SHE Policy and Principles in areas under their control. This responsibility includes systems for the recognition of hazards, assessment of risks and provision of effective controls. For outpost sites such as application laboratories, technical service centers and warehouse operations the Local Manager or General Manager of the controlling site may delegate this responsibility to the manager at that site.

In 2017 Stahl appointed a Global SHE and Process Safety Manager, a new function. He will coordinate and ensure the fulfilment of Stahl's SHE policy, including the changes of behavior and training required to support the highest possible standards of SHE.

SHE Campaign

The well-received SHE Campaign 2015-2017 finished as planned. During the campaign period, Stahl created awareness for SHE in a consistent manner, globally. To evaluate feedback and to understand the effectiveness within the Company, an enquiry was sent to all Local and SHE managers so that they could provide feedback on the campaign results. The overall perception of the campaign was positive and the manufacturing sites showed interest to continue to address safety issues. Factors that were well perceived and those to be improved were also evaluated. The conclusion is that SHE needs constant and consistent attention and therefore Stahl has decided to launch a new campaign in 2018.

Reporting & SHE manual

Stahl's SHE information and statistics are reported and monitored monthly and annually. It tracks progress on safety indicators and reports different categories of injuries and incidents including Lost Time Accident (LTA), Lost Time Injury (LTI), Serious injury, Minor injury, First Aid, Occupational Health and Fatalities. Each month it reports injuries, incidents, audits, trainings, engineering projects and other prevention methods both internally and externally. The SHE reporting procedure is recorded in the Stahl SHE manual.

2017 SHE KPI's.

The table below shows a stable rate in lost time injuries and an increase in the severity rate of lost time injuries (LTA's). The severity in 2017 was heavily influenced by 3 specific injuries, two of which were not related to chemical production. No specific details are given on the accidents and injuries in order to preserve confidentiality of the workers who were involved.

Lost Time Frequency and severity rate⁽¹⁾

	2017	2016	2015	2014	2013
LTI Frequency rate of Injuries with lost work time*	2.01	0.80	1.60	1.50	0.80
Severity rate of Injuries with lost work time **	102.5	4.50	38.00	55.50	9.70

* Frequency rate calculation: $(\text{number of reported accidents with lost days} > 1 \text{ day} \times 1,000,000^{***}) / (\text{number of theoretical worked hours})$. Also known as Lost Day Rate (LDR).

** Severity rate calculation: $(\text{number of lost days} \times 1,000,000^{***}) / (\text{number of theoretical worked hours})$.

NB. In 2017 Stahl changed the factor to calculate safety rates to the European standard. Rates are based the factor of 1,000,000 instead of the 100,000. Above table is based in the 1,000,000 factor.

Environmental Performance Indicators

Stahl is continuously upgrading its production sites and laboratory facilities in order to achieve energy, waste and water efficiencies and to reduce its environmental footprint. The measurement and publication of its environmental KPIs is part of the Company's goal of promoting transparency.

Stahl recognizes that reductions in global CO₂ emissions will be required in order to achieve the goals outlined in the Paris Climate Accord established in 2015. Stahl has a global CO₂ emissions reduction target of 10% (per tons produced) by 2020 using 2015 as a baseline. Carbon dioxide is the main component of Stahl's Greenhouse Gas emissions and improvements have been driven by sourcing more green energy at its sites but also by realizing

long-term efficiencies at manufacturing sites. Also in 2017 Stahl began to estimate Scope 3 CO₂ emissions, ie: due to company activity but not owned or controlled by the Company. Scope 3 emissions are included in this report. To raise internal awareness of CO₂ reduction, the Company ran a screen saver campaign in 2017, which provides tips to employees on how to reduce CO₂ emissions and save energy. In addition to CO₂ emissions, Stahl reports energy, water and waste KPIs on a monthly basis to the Stahl Board, per manufacturing site and globally.

Carbon Dioxide (CO₂) emissions

Stahl's global target is a 10% reduction in CO₂ emissions by 2020 (based on Scope 1 and 2 emissions using 2015 emissions, per tons produced, as a baseline).

(1) For safety indicators all Stahl employees are considered.

CO₂ Emissions

	(metric tons CO ₂ -eq.)		
	2017	2016	2015
Scope 1: Direct GHG emission*	14,609	16,569	15,162
Scope 2: Electricity Indirect Emission Sources**	21,222	18,661	19,192
Scope 3: Other Indirect Emission Sources***	529,670	511,245	No comparable data
TOTAL METRIC TONS CO₂-EQ.	565,502	546,476	34,355

* Scope 1: Direct 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 site.

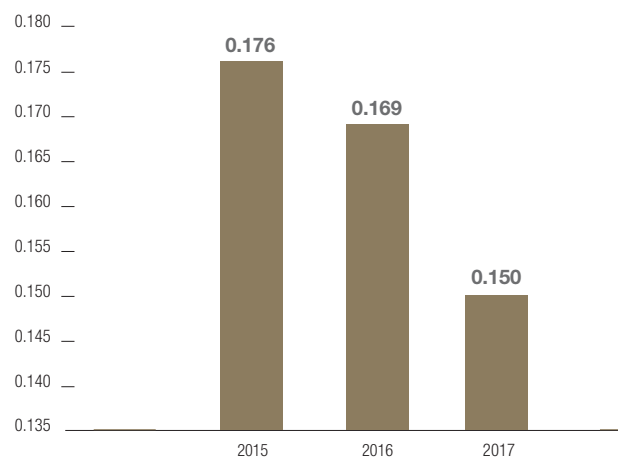
** Scope 2: Electricity Indirect Emission Sources: are those that occur due to purchased energy (in the form of electricity, steam, heat and cooling) from the grid or district heating or cooling systems.

*** Scope 3: Other Indirect Emission Sources are calculated since 2016 following the GreenHouse Gas protocol. In 2015 Scope 3 was based on business travel (flights and private cars).

$CO_2 \text{ emissions per production volume} = CO_2 \text{ per tons produced} = CO_2 \text{ scope 1} + \text{scope 2} / \text{production volume.}$

CO₂ emissions per production volume

	2017	2016	2015
CO ₂ emission Scope 1+2	35,831	35,230	34,354
Total production volume	238,590	207,923	195,646
PER TON PRODUCED	0.150	0.169	0.176

CO₂ per ton produced

Corporate Value Chain (Scope 3) Accounting and Reporting Standard

In 2017 Stahl made its first estimation 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 GHG emissions.

Scope 3 emissions Stahl by category

Scope 3 categories	Total emissions (ton CO ₂ e) in tons	
	2017	2016
Cat 1: Purchased goods and services	317,755	299,329
Cat 12: End-of-life treatment of sold products	133,667	133,667
Cat 4: Upstream transportation and distribution	51,290	51,290
Other (e.g. Capital goods, Downstream transport. and distribution)	26,959	26,958
TOTAL:	529,670	511,245

Results

"Purchased goods and services" and "end-of-life treatment of sold products" largest sources

Scope 3 calculation results for Stahl show that emissions from purchased goods and services account for more than 50% of the total Scope 3. End-of-life treatment of sold products is another main emission source. Both categories are related to the input and output of materials in the production process. Reducing these emissions may take place by:

- selecting (base) chemicals with a lower CO₂-footprint;
- increasing biogenic content of the materials that are being used⁽¹⁾;
- increasing longevity of end products might decrease lifecycle CO₂ emissions of sold end products.

Transportation of purchased goods third largest source of Scope 3 emissions

Transportation of goods (Cat. 4) accounts for around 11-12% of Stahl scope 3 emissions. Based on the assumptions in the calculation of transport emissions, the major part of these emissions result from transport paid for by Stahl by plane or truck. Reducing these emissions may take place by:

- choosing a different mode of transportation. Transportation by truck causes around 10 times more CO₂-emission per tkm than transport by ship. Transportation by plane causes even more emission: around 100 times the emission associated with transport by ship;

- 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.

Analysis, conclusion, actions

Most Scope 3 emissions are linked to raw materials that Stahl uses and to the end-of-life treatment of its products. Transport related emissions are also significant. Although these outcomes have a high degree of uncertainty Stahl is considering actions related to the conclusions. For example, to:

- investigate if there are alternative products that can be purchased which have a lower carbon footprint;
- investigate ways in which the life of its customers' end products could be extended; and
- consciously decide to procure energy efficient transportation services and to shift from plane to road or rail and from road to rail or more efficient road transportation.

(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.

Energy consumption

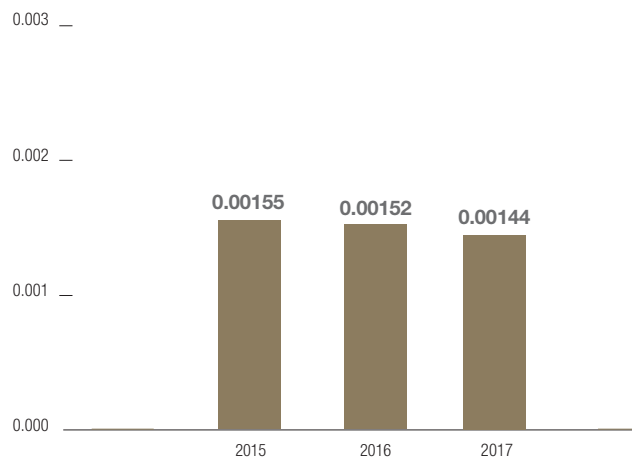
Stahl's energy consumption is the sum of electricity, gas, oil, coal and steam consumed at their manufacturing sites. Energy is reported per production volume, ie: per tons produced. There are many energy efficiency projects underway and Stahl aims to have energy-neutral factories in the future. Even though the production volume increased in 2017, the energy per tons produced

decreased. The gas consumption for 2015, 2016 and 2017 was restated in the below table to reflect the reporting of energy in kWh, which is considered a more stable measuring unit than the ones used in previous reporting. This correction represents an increase of 26% in reported energy consumption for each year from 2015 to 2017.

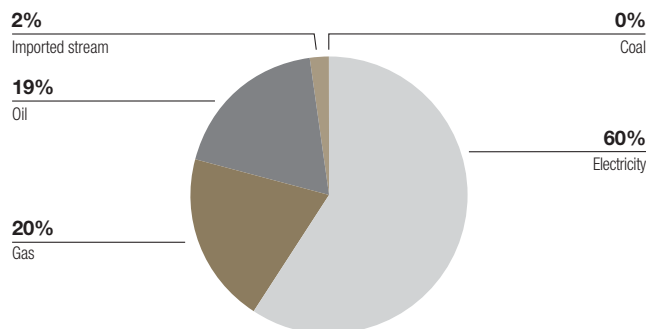
	2017	2016	2015
Energy (TJ)	343,85	317,02	303,02
TOTAL PRODUCTION VOLUME	238,590	207,923	195,646
Energy (TJ) per production volume*	0.00144	0.00152	0.00155

* $Energy\ (TJ)\ per\ production\ volume = Energy\ (TJ) / Total\ production\ volume.$
Energy consumption is based on Lower Heat Value (LHV).

Energy consumption (MJ) per ton produced



Scope 1&2 CO₂ emissions breakdown in 2017



CO₂ emissions per energy source

Below pie chart shows the CO₂ emissions, split between the different energy sources Stahl used in 2017 in its manufacturing sites. The company has not used coal. The main source is electricity, which partly consists of green electricity.

CO₂ and Energy reduction projects: 2017 Highlights

A good example of converting creative thinking into a practical and sustainable solution was implemented in 2017 by Stahl Europe, Waalwijk site. A novel way was found to keep a key raw material (polyol) at a constant temperature from the time the supplier manufactures the product to the time that Stahl uses it in their own process. Deliveries are made in liquid form, in bulk, and the material is stored in a heated vessel. This simplifies the current procedures of cooling, drumming, re-melting and discharging the polyol from drums. The savings in energy (and on CO₂ by default), packaging and waste are significant, not only for Stahl but also for the supplier.

Stahl India was able to save 57.612 kWh of energy in 2017 vs 2016 thanks to several initiatives linked to investment in more efficient water chilling equipment and by replacing mercury/sodium vapour lamps with LED equivalents.

In Stahl Germany, Leinfelden site, energy savings of 400.000 kWh were achieved in 2017 vs 2016 thanks largely to a new condensate recovery system and heat exchanger which resulted in savings in steam, which is used for heating vessels. A modern screw compressor was also installed in the production area and this also contributed to the overall electricity savings at the site.

A global screensaver campaign was implemented in 2017 to provide practical advice to all employees on how to save energy and CO₂ in the offices and plants and in their jobs.

Water consumption & usage

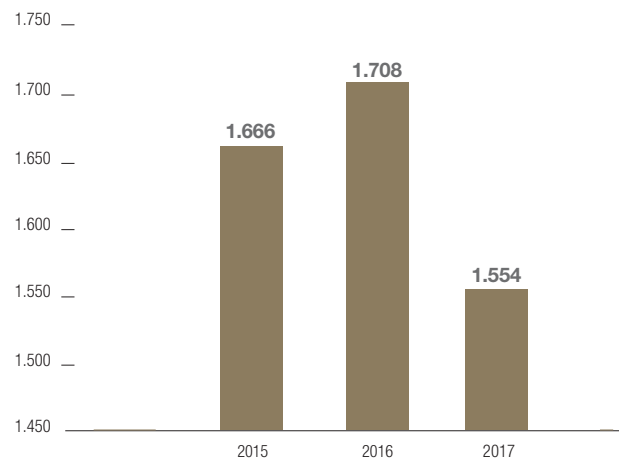
Stahl consumed more water in 2017 because it manufactured more volume. Water consumed per tons produced decreased, so water efficiency improved.

	2017	2016	2015
Water consumption (m ³)	370,855	355,041	325,864
Other water use (m ³)*	561,788	506,056	491,021
Total Water Used (m ³)	932,643	861,097	811,093
Total production volume	238,590	207,923	195,646
Water use per production volume**	1.554	1.708	1.666

* Other Water use = Water in Palazzolo, in particular ground well water, is used for the processes but also as cooling water (for this reason we have high volumes of withdrawn water). This water (cooling water) is kept completely separated from chemical products and discharged into the river Seveso at controlled temperature.

** Water use per production volume = Water consumption (m³)/Total production volume (excluding Other water use).

Water consumption (m³) per ton produced



Waste management

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 a goal to install internal water treatment facilities at all its sites in the future, thus limiting the amount of wastewater sent to third parties for treatment.

	2017	2016	2015
Hazardous Waste (tons)	10.538	9.748	6.570
Non-Hazardous Waste (tons)	1.584	1.476	1.276
TOTAL WASTE (TONS)	12.884	11.224	7.846

	2017	2016	2015
Waste Water send to external treatment (tons)*	18.124	15.038	15.815

* This indicator only represents the Stahl sites in Waalwijk and Toluca. The other 9 sites have an on-site waste water treatment installation.

Waste: 2017 highlights

Stahl encourages its operations and research staff to minimize the potential of generating waste in its processes. For example in Stahl China, in 2017, the replacement of a pressure filter in the waste water system resulted in a reduction of water content in sludge of 30%, which means less sludge and less cost. Stahl has also found creative ways to re-use waste, thereby helping to stimulate a more circular and sustainable way of working. There are many examples of this, converting seemingly unusable materials into products which have value in commercial applications, like in paint and coatings.

Environmental provisions

As of the end of 2017, Stahl's environmental provision for land pollution are of €0,6 million.

Low-impact innovative solutions

With 9 R&D centers around the world, employing almost 100 technical staff, Stahl's product research is aimed at providing high performance solutions that reduce the environmental footprint. This can be either by using renewable/bio-based raw materials in its products or by designing products which will reduce the CO₂, energy, water or toxicological footprint of its customers' products. It is now a requirement that all new products developed by Stahl's research team must have a clear environmental benefit. These environmental benefits could be the reduction of Stahl's customer's environmental footprint (eg: water or energy savings when processing leather), or for Stahl's own footprint reduction (eg: using raw materials based on renewable resources, or high solids coatings with lower solvent content). The incorporation of the BASF product portfolio will complement this drive towards a more sustainable industry.

Stahl's progress in 2017 with its low-impact innovation is summarized below.

- The success of STAHL EVO for coated fabrics and the Stahl NEO leather finish range were important commercial highlights of 2017. These two ranges are compliant with the Manufactured Restricted Substance List (MRSL) launched by the ZDHC Foundation, whose goal is to eliminate hazardous substances from the supply chain by 2020.
- Significant growth in the sales of Proviera® - Probiotics for Leather™ and the Catalix® range of products were also a feature of 2017. These products contribute to the reduction in the environmental footprint of the leather process, notably with regard to water pollution.
- The Dryfast Beamhouse product range was an important addition to the portfolio in 2017. This system allows Stahl's customers to realize significant savings in water effluent and solid waste during the first stages of the leather manufacturing process.
- The policy of promoting of natural and renewable resources as raw materials has driven innovation in waterbased polyurethane research in recent years. As a result, several new generation bio-based materials are being prepared for commercial launch in 2018, and will be promoted in its Performance Coatings and Polymers businesses.
- The use of waterbased polycarbodiimide crosslinkers in coatings is growing, in large part thanks to Stahl's patented technology in the field. These innovative carbodiimide crosslinkers are an excellent building block in the design of environmentally-friendly coatings systems.

3.2.3.3 People & Society

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, labor, environment and anti-corruption. Stahl's activities are therefore being aligned with the 17 Sustainable Development Goals (SDGs), established at the United Nations General Assembly in 2015:

- **Poverty:** In addition to proactive philanthropy at the local community level, Stahl is also involved in wider industrial development projects in emerging regions, along with NGOs and governments. An example is the Public Private Partnership (PPP) between Stahl, Solidaridad, and PUM that was launched in 2017, in Kanpur, India. The five-year project is focused on reducing water pollution and should contribute to the wellbeing of thousands of families in the Kanpur community who depend on the leather industry (see later under "jobs, economic growth" for a more complete description).
- **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 Stahl is a member since 2016. In 2017 Stahl became a Bluesign® Partner.
- **Education:** Stahl Campus® was established to promote good practices throughout the supply chain (see later for a more detailed description). Stahl also actively promotes the safe handling of chemicals and conducts seminars on this topic in emerging regions. In 2018 Stahl Campus® will be expanded to Kanpur, India, to support the water pollution efforts being made there.
- **Gender Equality:** Stahl's Diversity and Inclusion policy was communicated in 2017 and is summarized on this report.
- **Clean Water & sanitation:** Water technology is a growing area for Stahl and we are working jointly with leading universities on improving water effluent quality. This includes employing a research specialist in 2017 who is working on specific water pollution projects. The Company has also 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 PPP launched in Kanpur, India is also focussed on water pollution.

- **Renewable Energy and Climate Action:** Stahl's goal is a 10% reduction in CO₂ emissions by 2020 (in line with the 2015 Paris Climate Agreement) and this implies the adoption of renewable energy sources and raw materials, as well as energy efficient technologies at its sites. 2017 emissions improved vs 2016 and the company is well on target to meet to the 2020 goal.
- **Jobs, economic growth:** A Public Private Partnership was launched in Kanpur, India, in which Stahl has teamed up with NGO's Solidaridad and PUM, as well as local pollution Board and leather associations, with the objective of reducing water pollution in the Kanpur tanning cluster. The 5 years project was conceived as part of the wider clean Ganges project undertaken by the central government in Delhi and the state government of Uttar Pradesh. Stahl's contribution is twofold: to introduce low-impact technologies which will reduce water pollution levels of tanners in the area, and Stahl Campus® training, to be provided from its new centre of Excellence in Kanpur, which is due for completion in Q2 2018.
- Stahl also launched an EU funded project in 2017 aimed at promoting efficient technologies for the Ethiopian leather industry.
- **Reduced Inequalities:** Stahl's code of conduct was implemented in 2015 and the Stahl Diversity and Inclusion policy was implemented 2017. E-training courses were completed in Q1 2018 on the topics of bribery, corruption & modern slavery.

Trusted Partnerships

Stahl is at the table when decisions are made about restricted substances and overall environmental stewardship in the industries where the company is active. The Company is active in many sustainability related initiatives, like the Leather Working Group (LWG), the largest voluntary group in the leather industry, with over 500 members. The mission of the LWG is to raise the bar of environmental stewardship via 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 was elected on to the Executive Committee of the Leather Working Group in 2017. The Executive Committee consists of four clothing/footwear brands (currently Wolverine, Timberland, Louis Vuitton, Clarks), four leather manufacturers and one chemical company (Stahl).

Stahl is also an active member of the Zero Discharge of Hazardous Chemicals (ZDHC) foundation, and was confirmed as a bluesign® partner in 2017. Stahl is also a member of the TEGEWA Group of chemical companies who supply the textile, paper and leather industries.

Non-profit activities in emerging countries

- A Public Private Partnership (PPP) between Stahl, Solidaridad, and PUM was launched in 2017, in Kanpur, India. The five-year project is focused on reducing water pollution and will contribute to the wellbeing of thousands of families in the Kanpur community. Stahl's contribution to this project is €900.000, split between cash and in-kind contributions.
- Stahl's sustainability roadshows continued in 2017 and were held in Bangladesh and Pakistan. The seminars focused on clean technology initiatives in the leather clusters with a view to reducing water pollution and restricted substances in the supply chain.
- PUM is a Dutch non-profit organization that links small and medium companies in developing countries to experienced professional experts in order to improve sustainability and combat poverty in those regions. Stahl and PUM have begun to work together on projects for the leather sector. This partnership involves Stahl experts travelling to the country in question with PUM country staff and visiting tanneries that require the technical skills and service that only Stahl technicians can offer. In 2017 two missions were completed by Stahl and PUM experts in Zimbabwe. More such missions are planned for 2018 in other counties in Africa.
- UNIDO: The mission of the United Nations Industrial Development Organization (UNIDO) is to promote and accelerate inclusive and sustainable industrial development (ISID) in developing countries and economies in transition. UNIDO's e-learning courses, designed to promote good practices and responsible chemical management in leather tanneries, is fully supported by Stahl which promotes it in the areas where it is needed. Indeed Stahl's recent sustainability seminars in India were conducted in conjunction with UNIDO.

Education and training

Stahl has observed a talent gap in the markets that we serve and proactively seeks ways to educate and train students and workers in the industry.

Stahl Campus® is the global knowledge centre established in 2014 in Waalwijk (Netherlands) and extended to León (Mexico) in 2015 and Guangzhou (China) in 2016. The goal of Stahl Campus® is to promote good practices and transparency throughout the supply chain. Stahl invites customers, suppliers, university students, OEMs, brands, and more, to come to its specialized laboratories and strengthen their knowledge through theoretical and practical training modules. Stahl Campus® is a key element in the Company's strategy of promoting transparency.

In 2017 over 500 people attended these training courses around the world. Notably, a Post Graduate Certificate course in Stahl Campus® Mexico was launched in 2017. A six-week course developed in collaboration with the University of Northampton (UK), students will receive an official PG Certificate in leather finishing upon completion. In 2018 Stahl Campus® will be expanded to Kanpur, India, where a new Centre of Excellence is being constructed to support the Public Private Partnership related to water pollution in the Uttar Pradesh leather manufacturing cluster.

Stahl is also collaborating with over 30 different universities and colleges around the world, on a wide range of topics. Indeed the Company is actively working with higher education institutions in order to secure talent for the future and to maintain its leadership position in technology and sustainability.

3.2.3.4 Reporting methodology for Stahl

Reporting scope

Unless otherwise indicated, HR data are reported for all Stahl entities worldwide.

For safety (SHE) reporting, all Stahl employees are in scope as well as contractors.

The environmental performance indicators relate to Stahl's 13 manufacturing sites.

Reporting scope - history for environmental data:

Site	2017	2016	2015
Calhoun	Y	No	No
Graulhet	Y	No	No
Hospitalet	From October	No	No
Kanchipuram	Y	Y	Y
Leinfelden	Y	Y	Y
Palazzolo	Y	Y	Y
Parets	Y	Y	Y
Peabody	Before October	Y	Y
Portao	Y	Y	Y
Ranipet	Y	Y	Y
Singapore	Y	Y	Y
Suzhou	Y	Y	Y
Toluca	Y	Y	Y
Waalwijk	Y	Y	Y

Y=Yes, full year

Methodological limitations and uncertainties

The reporting methods for certain indicators may have certain limitations due to the pragmatic considerations of collecting and consolidating the relevant data.

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 physical persons and full-time equivalents.

Safety indicators

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 that occur over a 12-month period, per 1,000,000 hours worked. Accidents while commuting between home and work are not included in this indicator.

Environmental indicators

Carbon Footprint

The carbon footprint is calculated according to three scopes of emissions:

- direct 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);
- electricity Indirect Emission Sources are related to energy (in the form of electricity, steam, heat and cooling) purchased from the grid or district heating or cooling systems (Scope 2). The source of Stahl's emission factors are:
 - gas: Guidelines for National Greenhouse Gas Inventories, volume 2,
 - oil: 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;
- expected other Indirect Emission Sources (Scope 3) following the Green House Gas protocol.

The carbon footprint data is reported annually

Approach and methodology

Stahl reports its Scope 1 and 2 emissions each year. So far, Scope 3 emissions had not been quantified in full scope. Stahl worked with an external consultant to calculate its Scope 3 CO₂-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. 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	<p>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.</p> <ul style="list-style-type: none"> ■ 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 <i>versus</i> amounts shipped globally
Cat 4: Upstream transportation and distribution	

For CO₂eq emissions from Scope 1, 2 and 3, there are uncertainties due to the intrinsic uncertainties from emission factors.

Energy

The energy consumption includes all energy sources consumed by the 13 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 13 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 13 production 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 resent 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 13 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 9 Stahl production 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.

3.2.4 Tsebo

Introduction

There are two pieces of legislation in the South African environment which are central to the social fabric of Tsebo and the society at large and which are designed to ensure (through penalties and incentives) that Companies adopt a proactive approach to transformation, equality and diversity.

The first is the Broad-Based Black Economic Empowerment (B-BBEE) Act 53 of 2003 incorporating the B-BBEE Codes of Good Practice and the second is the Employment Equity Act no 55 of 1998. 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, and 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.

In basic terms the higher a company's rating or scorecard, the more of a competitive advantage they will enjoy in their market through better pricing and better contract wins and retention as companies are in turn encouraged to use highly rated companies as their own suppliers to try bring equilibrium and equal opportunity to all levels of society and the whole supply chain for goods and services.

Tsebo was first large South African corporate to market with a level 1 B-BBEE rating in 2015, under the new Codes. This was however the culmination of years of industry leadership in this key aspect of business leadership in the country. This took many years of foresight, planning and hard work by Tsebo which has managed to retain this rating in each subsequent year.

The second is the Employment Equity Act which requires companies who meet certain thresholds in turnover and number of employees to submit an annual report to the department of Labour on certain aspects of their labour practice. This is discussed in more detail under paragraph 2.5 below.

A highlight of 2017 year for the Tsebo Group was the finalization, in January, of the acquisition by Wendel of the Tsebo Group. The 2017 year that followed was a steep learning curve for its business with much time spent adapting to and learning what is required being part of a listed French entity. Accordingly, this is the first year that Tsebo has been required to prepare a submission on Grenelle II, article 225

The contents of this report are restricted to the 2017 calendar year and for its South African operations only.

Social

Employment

Tsebo is a labour intensive business and its labour force forms the backbone of its ability to deliver its services. South Africa also has very strict labour legislation designed to protect the employee and with this in mind, together with labour being the single biggest cost in its business, Tsebo places a considerable focus on its labour practices to ensure that they are fair and yet still competitive.

Per the explanation above, the rating in the BEE scorecard is also driven in part by the percentage of your work force that is derived from previously disadvantaged Groups. Tsebo's level 1 rating is a good indication that Tsebo takes its responsibility of employing previous disadvantaged Groups, very seriously. This is also reported on and monitored in the Employment Equity report which is discussed in more detail in clause 2.5 below.

In June 2017, Tsebo hired a new Organizational Effectiveness director, who has initiated a process of centralization, standardization and systemization of the human resources function which was previously divisionalised and relied heavily on human intervention.

Through her team, Tsebo focuses on the following labour related aspects:

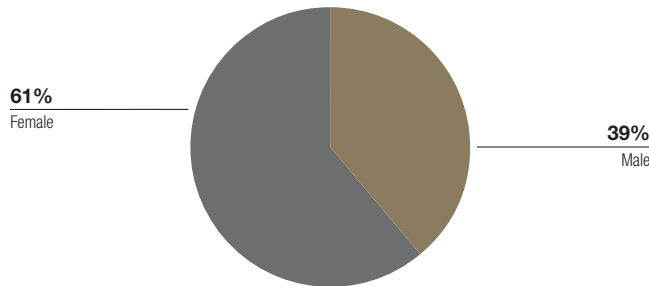
- Transformation & diversity;
- Talent & resourcing;
- Industrial relations;
- Compensation & benefits;
- Learning & development.

Demographics

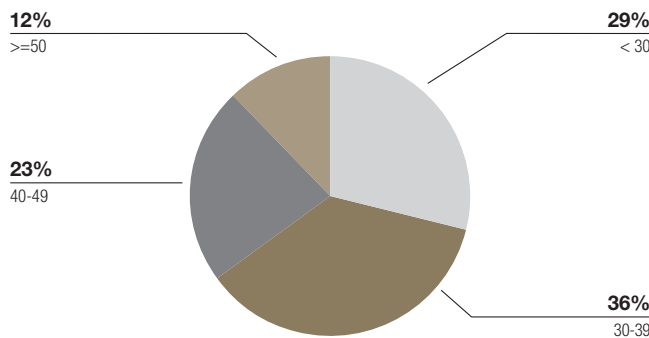
As at December 2017, Tsebo employed 32,355 people in South Africa, a 19% increase on the previous year, in connection with the acquisition of Superclean (over 3,000 employees) in January 2017.

Due to the nature of the services Tsebo provides in the catering and cleaning industry, a large majority of that work force are women. However in its security division, the majority of the work force are men.

Headcount Breakdown by Gender



Headcount by Age



As youth forms a large part of its workforce dynamic, Tsebo is often the gateway for first time workers to enter the formal employment sector and thus focus on training and development of staff. The Employee Tax Incentive was introduced by government in January 2014 and is designed to encourage employers to hire first time employees by providing a taxation rebate against the Pay As You Earn (PAYE) payable to the South African Revenue Services by companies, thereby reducing the cost of employing youth labour, while leaving the employee's earnings unaffected.

Hiring's and Terminations

Tsebo has a relatively high level of staff turnover, predominantly driven by the fact that the vast majority of its workforce are first time workers who work at or close to the minimum wage in the country, and who will thus move employment for relatively small increments, resulting in a high staff turnover. This is further exacerbated by what Tsebo calls the "contract churn" that exists due to the nature of the services that the group provides – contracts are awarded to Tsebo for 3 to 5 years and are then lost to a competitor 3 to 5 years later. The relatively high termination rate, of 39% in 2017, is caused by this contract churn but for the period under review, with a hiring rate of 52%, Tsebo hired more than it terminated.

Remuneration

Tsebo understands that fair and market related remuneration is essential to attract and retain employees. The majority of Tsebo's labour force is governed by collective agreements that deal with remuneration. These are centrally negotiated and determined at an industry level.

In 2017, NEDLAC (the highest authority where unions, businesses and industries participate to discuss matters affecting the labour arena as a whole) approved the imposition of a national minimum wage of R20.00 per hour but the implementation date is expected to be May 1st, 2018.

Tsebo will implement the national minimum wage when officially required by the government and this will supersede the collective agreements on aspects of remuneration and will be the base below which remuneration cannot fall.

Organisation of work time and absenteeism

Tsebo operates multiple shift structures due to the varying legislated hours of work in the different sectors in which Tsebo operates. Organisation of work time in Tsebo is essential to ensure compliance with South African labour relations and to maximise labour efficiency in its contracts.

In December 2015 Tsebo initiated an automated time and attendance system in its catering, cleaning and security business to replace the previous manual system. To date, 24,193 employees and all sites in its cleaning, catering and security divisions are covered by the system.

The automated time and attendance system interfaces with its information system which enables management to extract reports and filter data to manage overtime, late comings, absenteeism, etc. and then these occurrences are dealt with through the leave policy and HR disciplinary Code where required.

Absenteeism is important to manage in its cleaning and security divisions where the client is billed, in part, based on a fixed number of employees required to provide the services. This is less so in catering where clients are not billed on a fixed number of employees and so staff are required to support and stand in for others in the event of absenteeism.

Labour Relations

Labour relations in South African are complex and Tsebo has a dedicated team under the Human Resources function to conduct Tsebo's social dialogue with labour.

The table below sets out the various applicable industry councils applicable to its labour force (excluding head office staff and middle to senior management) and which canvas issues such as wages, leave days, working hours, benefits and prohibited practices.

National Labour Legislation: Basic Conditions of Employment Act

Division	Industry Council	Region	% of Total Employees
Catering	Bargaining Council	JHB	7.7%
		Pretoria	4.2%
	Sectoral Determination 14 (Hospitality)	Areas outside of BC	14.2%
Cleaning	Sectoral Determination 1 (Contract Cleaning South Africa)	All regions except KZN which has its own bargaining council	33.4%
Security	Sectoral Determination 6 (Private Security Sector)	National	21.1%
Facilities	None		None as these are mostly professional engineers but will be guided by national legislation

In addition, Tsebo allows all its employees to become a member of a union of their choosing. Tsebo will deduct an employees membership fees and pay them over to the union on behalf of the employee but Tsebo does not negotiate salaries and benefits with the unions but rather complies and adheres to the industry council determinations as set out above. As at today's date there are 53 unions representing 27,800 employees on a voluntary basis.

Tsebo is an active participant in the industry council consultation process and via the employer's association meetings.

Tsebo was not subject to any strike action during the 2017 year.

Health and Safety

Tsebo has a Group Compliance Officer and various other compliance officers around the Group. Within this function, Tsebo is developing a centralised compliance (including health and safety) centre of excellence and thought leadership covering the legislative universe which applies to Tsebo's operations.

The safety of employees and other people on its sites is its priority. Tsebo subscribes to the principle that every staff member has the right and obligation to challenge and report unsafe conditions, behaviour and procedures.

Tsebo endeavours to create and maintain a safe and healthy workplace through the provision of appropriate training and the

necessary equipment, tools and procedures to employees when carrying out their duties.

Tsebo also takes appropriate measures to ensure that employees refrain from using drugs and alcohol in the work environment which could affect these employees' work performance and thereby pose a risk to the health and safety of other employees. Employees are subject to regular confidential medical and criminal screening checks depending on the environments in which they work. For example, its employees working at medical sites having greater screening and checks.

In its catering and cleaning divisions Tsebo has a Safety Health Environment and Quality Officer (SHEQ Officer), 28 health and safety officers and a health and safety representative on each site.

The SHEQ Officer operates a risk management system that contains 13 various elements and acts as library for policies and procedures, safe operating procedures, Good Manufacturing Practices (GMPs) and risk assessments which are reviewed on an annual basis and which are then distributed to the business.

Tsebo distributes weekly safety bulletins in its catering and cleaning divisions which is an e-poster sent throughout the Group creating awareness about a different HSE topic each week as well as "Toolbox Talks".

	2017	2016
Number of accident with lost time	59	75
Number of days lost due to an accident	240	913

In its security division Tsebo has a National Responsible Person as required by the Firearms Control Act who is mandated to manage the firearms of the business, the correct safety measures and controls are in place for firearms and that Tsebo complies with the requirements of the applicable legislation.

Training

With its large workforce, ongoing training is essential to ensure service standards are maintained. Moreover, skills development and training is a crucial element of its B-BBEE rating explained above and so Tsebo operates various training programmes across varying levels of the work force.

All new employees undergo training through the Tsebo Skills Academy which trains them in basic cleaning, health and safety and computer skills.

The same Tsebo Skills Academy also conducts a series of 12-month long learnerships for both prospective and current Tsebo employees. On successful completion of the learnership they are provided with a certificate from the relevant Sector Education Training Authorities (SETA). Almost all of the delegates are then employed on a full-time basis by Tsebo thereafter. Learnerships also provide a degree of funding for the training costs through a rebate from the relevant SETA.

The Tsebo Skills Academy has 28 accredited trainers across the business.

Tsebo has also created a three-tiered (junior, senior and executive management) bespoke management development program with the recognized Gordon Institute of Business Science a faculty of the University of Pretoria, focusing on various elements of executive development such as finance, strategy, operations, marketing etc.

For the year ending December 2017, Tsebo trained 17,190 staff members (compared with 13,300 in 2016) and spent R73.6 million (€4.9 million) on training equating to 1.27% of Tsebo's consolidated turnover.

Part of the above training includes the training done in its security division on the control of firearms and as is required by the Private Security Industry Regulatory Authority (PSIRA).

Finally, and in an attempt to ensure Tsebo is up to date with technology and an ever geographically expanding work force, Tsebo is implementing an e-learning platform which can be accessed through smart phones and on site computers, to train its employees on basic modules relevant for the business. 76 modules have been created and loaded onto the platform and 371 employees have completed modules to date. The platform allows reports to be generated from the data so that management can monitor training done and identify weaknesses in skills.

Equality and Diversity

Companies in South Africa who exceed a certain employee and turnover threshold, are required by the Companies Act 2008 to form a Social Ethics and Transformation (SET) committee which reports to the Board and the shareholders at the Annual General meeting (AGM) and is mandated, amongst other things to monitor and oversee the Group's transformation initiatives, its governance practices, its incidences of fraud and corruption and the Group's charitable activities. Tsebo has formed the SET committee which meets quarterly before the Tsebo South Africa Board meeting to discuss these various elements, many of which are also encompassed in this report and which are then reported to the Board.

The Employment Equity Act requires companies in South Africa, who meet certain thresholds in turnover and number of employees, of which Tsebo is one, to submit an annual report (historical performance against targets) and plan (future targets) to the department of Labour on certain aspects of their labour practice such as its workforce profile, the movement of the workforce (i.e. promotions, recruitment, terminations), skills development, inclusion of disabled people, and its numerical targets for the following year.

The Employment Equity Act requires the equity and diversity of a company's work force to be analyzed and reported on a far deeper level than the B-BBEE Act does and also provides for considerable penalties (2 to 10% of turnover) if companies do not submit reports and do not have a plan to create and deliver greater levels of diversity.

Tsebo religiously submits its annual report to the department of Labour.

Forced labour and child labour

Tsebo does not use forced or child labour in the conduct of its business and requires its subcontractors and suppliers to undertake and commit to the same labour practices.

Environment

Considering the service offerings of catering, cleaning and hygiene, facilities management and protection, Tsebo has a limited direct impact on the environmental. In addition to this, Tsebo's services are all conducted on client sites, and Tsebo does not have the control over the energy consumption, the water consumption and the waste produced.

Nevertheless, and in recognition of the greater diligence that this issue requires, Tsebo has an environmental policy in place and several Good Manufacturing Policies (GMPs) on waste disposal, chemical use etc.

Tsebo is aware that it sometimes operates in areas where water may be in short supply or may reduce in the future due to climate change. Tsebo provides its employees with good practices to avoid unnecessary water consumption and to support its client's initiatives such as implementing a more water wise approach in the management and planting of client gardens, connecting irrigation systems to boreholes and installing rain sensors to ensure that the irrigation does not run unnecessarily during the rainy season.

At its head office in Rosebank, Tsebo has installed motion sensor lighting. With a geographically dispersed business, videos and telephone conferencing facilities are encouraged to reduce travel.

In 2016 the Tsebo team based at the department of Basic Education in Pretoria set the objective of becoming ISO 14,001 certified and making the facilities a green rated building. The group is now ISO 14,001 certified and continue to work towards being a greener building.

The key aim of this objective was to become resource efficient and to reduce its impact on the environment whilst simultaneously providing cost savings to its client using an integrated energy management system on site.

One of its targets was to reduce the average kilowatt per hour (kWh) per lettable square meter per year from 161 kWh to 148.5 kWh by the end of 2018 for this facility. Tsebo installed motion sensors throughout the building ensuring that lights only come on when the space is being used reducing the frequency of replacing light fittings and the number of fluorescent tubes being used and then having to be disposed of.

This initiative along with closely managing the air-conditioning supply and managing chiller run times has assisted Tsebo in surpassing its target where they are currently on 145 kWh.

Tsebo cleaning is also mindful that the chemicals used in the cleaning process may be harmful to the environment and so, where permitted by the client, Tsebo will endeavor to use bio degradable chemicals in its services.

Tsebo does not operate a central logistics or distribution hub but rather requires their suppliers to deliver their goods to the relevant site where the item is required thus reducing Tsebo's own environmental impact.

Food waste and resource efficiency

Most of the waste produced by Tsebo consists of food waste. Tsebo is aware that food should not be wasted and undertakes several actions to limit its food waste.

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.

Site managers procure specific portions and specifications for the contracted required meals through an on-line procurement platform called MyMarket thus reducing food waste through over ordering.

The use of historical data gathered through the point of sale system called Plankomat has allowed Tsebo to perform trend analysis of meals at sites. The analysis allows Tsebo to have a greater portion control when reproducing those meals on the next menu cycle.

Tsebo works with a company, Cuisine Oil, to recycle its used cooking oil. The oil is then refined and used as biofuel and other lubricants. Tsebo verifies that Cuisine Oil is compliant with regulation and that its used oil is not sold for human consumption. Tsebo also uses a product called Magnesol XL from the Dallas Group which extends the useful life of oil so that Tsebo can reduce its consumption.

Society

Business Ethics and Bribery and Corruption

Tsebo has a zero-tolerance policy when it comes to fraud and corruption. Tsebo has always maintained this stance within the business but undertook an exercise in 2015 to raise awareness and create certain projects and initiatives about Tsebo's business ethics and its stance on instances of fraud and corruption. Since then, Tsebo has implemented a Code of Business Ethics and an Anti-Bribery and Corruption (ABAC) policy modelled on the UK Anti-Bribery Act. It also maintains a gifts policy and a whistleblower policy to encourage disclosure of incidences.

Tsebo subscribes to the Deloitte managed and anonymous Tip-Offs toll-free hotline (and email service) which is a facility open to the public and all staff across all jurisdictions in which Tsebo operates and which can be used to disclose incidences of fraud and corruption occurring in the business on an anonymous basis. Reports are sent through the internal audit function of Tsebo and are then investigated and reported on to the Audit Committee.

Tsebo also publishes a bi-annual newsletter on various aspects of good governance ranging from gifting, examples of fraud incidences in its business and how they have been dealt with, to green governance.

ABAC documentation (i.e. policies and undertakings) forms part of its induction training. ABAC wording is contained in its standard client contracts and in its supplier contracts and its suppliers are required to deliver an annual ABAC undertaking to its procurement team. Currently 80% of the basket of goods, by value, has provided Tsebo with an ABAC undertaking and this is monitored and updated annually by the procurement team.

Finally, Tsebo conducts an annual "Tsebo council" where the top 200-250 members of the Tsebo management team are brought together from the various territories to share the Group's strategy and focus areas for the year ahead. At this meeting each year, training is done on ABAC and the attendees are required to sign an ABAC undertaking.

Regional Development and Impact

Government tenders often require Tsebo to form joint ventures with partners in the local communities where the sites are situated to ensure the upliftment of local communities through skills development and localized sourcing of labour and food inputs.

The best example of this in the Tsebo environment, is the Eskom plant at Lepalale. Tsebo has since February 2010, together with its local partners and through a 50/50 joint venture, been the catering provider at the Eskom plant in Lepalale. As part of the tender requirements, the joint venture is required to meet certain criteria set out in the Accelerated and Shared Growth Initiative for South Africa on a quarterly basis, benefitting the local communities. It has met these criteria for the last 7 years and has just received a further contract extension for 2018.

Partnerships

Tsebo understands that partnering, whether it be with its staff, its surrounding communities or its suppliers, is essential in elevating and sustaining not only its own performance but also that of the greater society which it impacts.

The Tsebo Foundation was established in honour of the Group's 40th anniversary. A not-for-profit Company, the Foundation conducts corporate social outreach for the Group as a whole.

With a dedicated team, the Foundation oversees, manages and governs all charitable activities across the Group.

One such project is the Tsebo Siyakhula initiative – a partnership between Tsebo and Christel House, a school based in Cape Town, which has created a vegetable farm where parents and learners get skills training and employment in working on the farm. Tsebo acquires the grown vegetables and the resulting profits from the farm are used to sponsor the school fees of certain learners.

Procurement

Tsebo operates a centralized procurement function across its divisions from perishable foods and grocery items to cleaning consumables and chemicals, security uniforms and lightbulbs to services such as pest control and laundry run through the MyMarket on line procurement platform.

Food and beverage constitutes 60% of the Group's total basket spend which was R3.5 billion (€260 million) for 2017.

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 and Tsebo has a track record of terminating relationships with suppliers who do not meet Tsebo's standards. Tsebo does conduct its own supplier audits where circumstances require.

99% of Tsebo's supply is sourced locally in South Africa (with some multinational suppliers) contributing to the local economy and considerable emphasis is placed on sourcing from suppliers who are themselves highly rated in terms of the BEE Codes as explained above.

Food safety for consumers

Tsebo produces some 126,000 meals per day across 500 kitchens.

With this in mind and considering that some of its clients are hospitals, old age homes and schools, nutritionally balanced meals and food safety is critical for Tsebo

Tsebo Catering employs a team of 6 dieticians and 29 health and safety officers working to ensure food safety for its consumers and that Tsebo is compliant with South African food legislation.

Tsebo Catering has developed a suite of Good Manufacturing Practices (GMPs) which serve as rules and guides on various aspects of the food lifecycle and which are provided to each site and are trained on.

Tsebo catering is HACCP SANS 10330 compliant and is in the process of being ISO 22,000 accredited.

Tsebo has enlisted the services of external Auditors such as QPro and LTL to undertake random quarterly audits of its sites doing food swabs, surface swabs and staff swabs and reports are prepared and submitted to Tsebo.

Allegations of food poisoning are taken very seriously and follow a rigorous process of escalation, independent lab analysis, investigations, which leads to actions such as training, adjustment to GMPs or policies.

Each catering site is required to have its own certificate of acceptability issued by the department of Health in the relevant municipality. None of its site has lost its certificate in 2017.

Methodology

The contents of this report are restricted to the South African operations only which represent 83% of its total workforce.

Headcount: The headcount disclose is the number of employees on payroll at year end.

Hiring rate and termination rate: number of contracts signed or ended from January 1st to December 31st divided per number of employee at year end.

Training employees represents the number of employees having attending a training during the year, some employees may have attended several trainings and are then counted several times.

3.2.5 Mecatherm

3.2.5.1 Introduction

Mecatherm has oriented its company policy around a base of five fundamental values defined at the beginning of 2017. These values were determined together with group employees as part of the Well-being, Efficiency and Performance process. They guide the initiatives, decisions, choices and day-to-day conduct of the entire group.

- **team spirit** - share information, ideas and questions so that its successes are achieved together;
- **audacity** - based on its experience and acquired knowledge, encourage curiosity and creativity;
- **Following through on its commitments** - do everything in its power to fulfill its commitments and share its successes;
- **expertise** - everyone devotes him or herself to developing individual and collective know-how;
- **exemplary behavior** - its everyday behavior and performance serve as a showcase of its values.

Mecatherm strives to make life easier for its customers and aims to be a provider of high-quality solutions for the world's industrial bakery companies.

To help its historical customers become more efficient, the Company has developed solutions for optimizing production lines. It has added to its baking system lines and customers can now offer a more varied range of products than traditional crusty bread, such as white bread, croissants and snack foods. It has also developed processes for producing more moist bread, which is less expensive to make and easier to preserve. The method is already paying off, inasmuch as satisfied customers are submitting new orders.

In addition, Mecatherm is using its expertise to attract new customers in emerging market countries where bread consumption is on the rise as a growing middle class adopts new consumption habits. For these specific customers, Mecatherm has developed its "Baguette Factory" product line. It provides a full line of industrial bakery equipment including a financing solution and support from an engineering company. In the end, the customer has a turnkey manufacturing facility and a rapid return on investment.

In 2017, Mecatherm equipped a new facility in Mozambique with four production lines.

The group opened offices in Mexico and Malaysia in 2017.

After installing 24 new production lines worldwide in 2017, Mecatherm's installed base totaled 786 production lines in 69 countries on all six continents. 2018 and future years promise to be healthy ones. Mecatherm is planning to beef up its workforce so as to pick up the pace right from 2018 and:

- Gain strength in sales and marketing, by launching new products and creating a new image that is in line with the Company's momentum and wider reach;
- Organize the Company operationally around its four lines of business (baker and segment architect; equipment provider to production units; customer services) and according to the following avenues:
 - Focus segments on pre-projects and on strengthening their baker-architect expertise at head office, while maintaining a local approach that is attentive to the customer's needs;
 - Specialize production units to a greater extent, with the Wisches oven PU and Montilliers mechanization PU, skilled in Baking Systems on the one hand, and the Barembach PU oriented towards service activities (production of line upgrade kits and retrofit equipment) including prototyping on the other;
 - Pool execution resources owing to the merger between Mecatherm and Gouet.

Finally, Mecatherm has adopted a new, more modern visual identity that corresponds to the new phase on which the Company is embarking, while still evoking the company's historical strengths.

3.2.5.2 Reporting methodology

Information presented in this report include the specific items indicated in Article R.225-105-1 of the French Commercial Code of Commerce, representing Mecatherm's business activity.

Scope and methods of consolidation

The scope of consolidation for the key indicators selected for this report includes: TMG SAS and Mecatherm SA (Barembach-Wisches and Montilliers entities).

A specific calculation method has been defined for each indicator. Data are collected using report files validated by the Group, mainly generated by the payroll and time management systems.

Responsibilities and verifications

Mecatherm's Human Resources department is in charge of producing social, societal, safety and environmental data.

Additional information about reported indicators

The definitions and reporting methods used for the following indicators are described below.

Safety indicators (includes professionalization and apprenticeship contracts, but not temporary contracts)

The lost-time injury frequency rate is the number of accidents involving the loss of one or more days of working time that occur over a 12-month period, per million hours worked.

Accidents while commuting between home and work are not included in this indicator.

Social indicators

Total workforce

The total workforce is the number of employees with a permanent or fixed-term contract with the Mecatherm Group on the last calendar day of the month.

Hires & departures

Fixed-term contracts made permanent are not counted as either hires or departures.

Compensation

All compensation takes into account salaries, payroll taxes and leaves.

Absentee rate (includes professionalization and apprenticeship contracts, but not temporary contracts)

The ratio of the number of hours of absence⁽¹⁾ to the number of hours theoretically worked.

(1) The absentee rate is calculated by dividing the number of days of absence (both paid and involuntary) by the number of work days originally expected. Days of absence include: illness, work accidents, commuting accidents, occupational illnesses and unjustified absences. Days of absence do not include: maternity, paternity, adoption or parental leave, authorized and paid leave (family events, notice periods not worked, etc.), unpaid leave, sabbatical, business start-up leave, training, annual vacation, days to compensate for overtime and holidays.

Greenhouse gas emissions

The scope 1, 2 and 3 greenhouse gas emissions published in this report were calculated using the emission factors available on ADEME's website in February 2018.

3.2.5.3 Social data

Mecatherm's installations are all in France: Alsace (Barembach and Wisches), the Loire valley (Montilliers) and Paris.

As of December 31, 2017, Mecatherm had 422 employees, compared with 459 as of December 31, 2016. The majority of employment contracts were full-time, permanent contracts. Fixed-term contracts represented 3.6% of the total in 2017, down from 8% in 2016. The Group plans to keep the percentage of fixed-term contracts at 5%. The group's total workforce was composed of 23.5% managers and 76.5% non-managers. Women made up 12.1% of the workforce. Employees with disabilities represented 2.1% of the workforce, vs. 2.0% in the previous year.

In 2017, the group's turnover rate was 9.2%, down sharply from 28% in 2016, because:

- the Well-being, Efficiency and Performance project was deployed and included employee onboarding and advancement programs;
- an internal job market was created to foster internal mobility;
- the number of new hires and departures was balanced.

The Group aims to keep turnover below 10%, through the following measures:

- continuing to deploy the Well-being, Efficiency and Performance project;
- creating a set of entry and target values for non-managerial positions that demonstrate recognition of their roles and responsibilities as they hone their skills.

There were three dismissals. The absenteeism rate in 2017 was 3.9%, vs. 2.4% in 2016. Absenteeism rose principally because of certain long-term absences due to severe illness that had nothing to do with working conditions.

Compensation

In 2017, wage increases included a 0.6% cost-of-living increase plus individual raises. The compensation structure for sectors with labor shortages (mobile installers and automation experts) was increased to facilitate recruitment and reduce turnover. Furthermore, all employees (except at TMG) benefit from company profit sharing in accordance with legal requirements.

The payroll increased by 7.3%, principally because the average number of employees increased in 2017.

Finally the company plans to implement a collective bonus agreement in 2018 in an effort to improve the bottom line by giving employees a stake therein.

Organization of working time

The workweek is 37 hours long for non-management employees (excluding traveling staff and supervisory-level staff), organized on a monthly basis into three weeks of 39 hours and one week of 31 hours (one 8-hour day off during the 31-hour week). For management-level employees, non-management traveling staff and supervisory-level staff, working time is measured on the basis of 218 days per year. 1.9% of all employees work part-time for reasons of parental leave or therapeutic requirements.

Mecatherm plans to implement individualized work schedules that will give employees more flexibility.

In addition, to handle fluctuations in the business, Mecatherm plans to implement a group-wide agreement aimed at annualizing work time so as to smooth out the impact of the peaks and valleys that are typical of the "project mode" in which the Company must operate.

Social relations

Labor-management dialogue is mainly conducted through employee representative bodies at individual sites.

The Montilliers site has a single employee representative body; health and safety issues are handled by the CHSCT.

At the Barembach site, employees have a works council and a Health, Safety and Working Conditions Committee (CHSCT).

Mecatherm applies industry agreements, and all of its employees benefit from the sector's collective bargaining agreement.

The next elections of personnel representatives will take place in April 2018. Two site-based Social and Economic Committees and one central committee will be implemented, following the merger of Gouet SAS into Mecatherm SA at the end of 2017.

Training

In 2017, 41% of employees participated in training, for a total of 5,652.5 hours of training. Mecatherm plans to maintain its objective to develop a training plan that goes beyond the legal minimum, including courses that train employees in the specific skills needed for each position.

Training is planned and monitored scheduled and tracked by each entity's Human Resources department. The training programs delivered each year mainly cover technical skills, safety (such as driving forklifts, electrical qualifications or emergency first aid at work) and language skills. Refresher training courses on industry-specific information are also organized annually.

In 2016, all Mecatherm managers started to take a four-day management training program under the Well-being, Efficiency and Performance project. The program was finalized in 2017.

Non-discrimination

Mecatherm is committed to maintaining a steady proportion of employees with disabilities in its workforce. Job applicants with disabilities are encouraged to apply for open positions and workstations are adapted as necessary. In 2017, 2.1% of its employees were recognized as having a disability.

Mecatherm would like to develop its policy to hire and keep employees with disabilities employed by:

- adapting open positions to people with disabilities, to the extent possible;
- helping employees who wish to be recognized as having a disability;
- working with the occupational health administration and agencies that help people integrate or reintegrate the workforce;

Health and Safety

As the change in frequency rate and severity rate of work accidents over the last three years has not been satisfactory, Mecatherm wants safety to be a priority so as to improve its results in that domain.

	2017	2016	2015
Frequency Rate	19.3	9	29
Severity Rate	0.59	0.29	1.02

Since 80% of work accidents are caused by improper behaviors (collisions/bumps, non-observance of safety instructions, carelessness, haste, improper gestures and positions, improper practices), Mecatherm intends to reduce work accidents by focusing on better safety behavior on the part of all employees so as to develop a lasting security culture.

To do so, Mecatherm launched the "Mecasure" project in 2017. This method is based on a favorable managerial position and positive feedback. It has been tested on a pilot zone, and by capitalizing on feedback, Mecatherm will be able to use best practices to deploy the project across the Group in 2018:

- adapting the workstations of people with recognized disabilities or with medical restrictions.

In addition, Mecatherm reaffirmed its commitment to workplace gender equality in 2017 by signing a new action plan with employee representative bodies.

Furthermore, Mecatherm wished to adopt an age management policy and consulted personnel representatives several times to create an action plan regarding the "generation contract" (a French system to encourage employers to keep experienced senior employees who can transfer their knowledge to newly-hired young workers). This three-year plan aims to implement concrete measures to foster the sustainable integration of young people into the workforce through access to permanent contracts; encourage hiring older workers and keeping them employed; and ensure the transfer of know-how and skills. Even though this program is no longer mandatory, Mecatherm wishes to maintain its commitment to help young people break into the job market and senior employees to remain employed.

Finally, in April 2017 the entire HR department benefited from training on non-discriminatory hiring. Then, later on in the year, when the HR recruitment process was rolled out as part of the Well-being, Efficiency and Performance project, awareness was raised among managers about non-discriminatory hiring, because all of them might take part in interviews during the candidate selection process.

1. Managerial practices that emphasize workplace safety and are based above all on a simple, everyday approach to the basics instilled in managers via the Well-being, Efficiency and Performance project, as well as an approach aimed at protecting employees.
2. Support for the HSE department and for the safety representatives in every department.

Implementation of this plan is expected to reduce the accident frequency and severity rates so as to gradually move toward a zero work accident rate.

3.2.5.4 Environmental data

Water and energy consumption

The activities carried out at the sites, mainly involving the design and assembly of machines and production lines, have little impact on the environment.

The initiatives launched since 2014 continued to be pursued in 2017 so as to obtain an outcome similar to the encouraging results of 2016.

Mecatherm tracks water and energy consumption on its three sites. The following table presents the indicators Mecatherm tracks.

Indicators	2017	2016	2015	2014	2013
Direct energy (gas) ⁽¹⁾ MWh	4,848	4,674	4,341	3,075	4,686
Indirect energy (electricity) MWh	1,492	1,438	1,503	1,412	1,380
Water (m ³)	2,082	2,039	2,724	3,006	1,957

(1) PCS.

Other energy consumption reached the following levels in 2017:

- propane consumption: 65,052 kWh;
- diesel fuel consumption: 147,588 litres.

Waste management

As part of its waste management, Mecatherm inventories waste produced on its sites, as presented in the following table.

Type of waste (in metric tons produced)	2017	2016	2015	2014	2013
Ordinary industrial waste ⁽²⁾	59	45	119	99	85
Paper, cartons, plastic ⁽²⁾	11	60			
Wood ⁽²⁾	59	103	60	53	50
Stainless and other steels ⁽²⁾	43	119	52	75	81
Fermentables (bread, dough, flour) ⁽¹⁾	61	54	59	97	11
Hazardous (electronic, electric)	0.2	-	1.9	1.1	-

(1) Fermentable waste production is related to the type and number of demonstrations performed during the year.

(2) The amount of ordinary industrial, wood and steel waste produced is dependent on business volume.

All waste is collected, recycled, disposed of and/or reused by waste treatment companies.

Optimizing the use of raw materials

Due to the nature of its business, optimizing the use of raw materials is not a significant challenge for Mecatherm. However,

Mecatherm strives to efficiently manage its paper consumption, mainly by educating its employees through memos and signs, and configuring IT systems to prevent waste.

To support its efforts to manage paper consumption, Mecatherm tracks this indicator, as presented in the following table.

Consumption (in metric tons)	2017	2016	2015	2014	2013
Paper	6.7	8.4	8.9	9.7	10.3

Implementing the Office 365 software package in 2017 has made it easier to go paperless and has also contributed reducing paper consumption.

Mecatherm implemented a paper recycling system at the end of 2015.

Climate change

The group's activities are not directly impacted by the consequences of climate change.

Biodiversity

No impact on biodiversity from Mecatherm's industrial activities has been identified.

The principal greenhouse gas emissions generated by Mecatherm's activities are, in order of importance:

Greenhouse Gas Emissions (GGE)

In 2016, Mecatherm carried out an assessment of all its indirect emissions sources, as defined in the GHG Protocol for its activities.

Of the 15 types of emissions defined in the GHG Protocol, Mecatherm considers the following indirect GHG emissions (Scope 3) to be significant:

- emissions related to the use of products sold;
- emissions related to the purchase of products used in industrial processes (steel, aluminum, copper, zinc, plastics, electronics components, chemical products, etc.).

Emission scope	Source	Emissions (in metric tons of CO ₂ equivalent)
Scope 3	Use of products sold;	627,120
Scope 3	Steel purchases	7,436
Scope 1	On-site natural gas combustion	1,062
Scope 2	Use of electricity	97
Scope 3	Other materials purchases	2,781
TOTAL		638,496

3.2.5.5 Societal data

Fostering employment and regional development

Mecatherm has not manufactured its parts for about 15 years; this activity is subcontracted to highly specialized companies who apply detailed specifications. Mecatherm's workshops are therefore devoted to fitting and assembling parts and sub-assemblies manufactured by the subcontractors, many of which are local.

In 2017, 32% of the group's purchases derived from local suppliers.

By partnering with subcontractors, Mecatherm has more flexibility for handling peaks and troughs in business volume and contributes indirectly but significantly to local employment. As a

result, purchases of standard and custom parts and factory subcontracting are estimated to have created 96.5 indirect jobs with the company's 35 principal suppliers in 2017.

Maintaining a dialogue with the community

Mecatherm continues to be proactive in the fields of education and training. Factory visits are held frequently to introduce younger generations to careers in manufacturing. Many events are also held directly in secondary schools, where Mecatherm can dialogue directly with students as they consider their career options, as well as in engineering schools and other institutions of higher learning that transmit industry-specific knowledge and know-how. Mecatherm hires apprentices and interns on a regular basis, with the aim to create a bridge between classroom learning and the skills needed in the employment market.

The Group also frequently works with regional employment organizations and has strengthened its collaboration with the government employment office and the chambers of commerce and industry.

In addition, Mecatherm continues to place a great deal of importance on relations with local communities and strives to boost its visibility and communications, in particular through the local media.

Finally, Mecatherm maintains close relationships with other regional and local stakeholders, for example by taking local business owners on factory tours and meeting with government agencies such as the local emergency services.

Subcontractors and suppliers

Since Mecatherm ceased to directly produce parts many years ago, all manufacturing of parts for machines to be delivered to customers is subcontracted to highly specialized companies who apply detailed specifications. Mecatherm's workshops are therefore devoted to fitting and assembling parts and sub-assemblies manufactured by the subcontractors.

Total purchases (parts and subcontracting) for Mecatherm exceeded €39.2 million in 2017.

The principal categories of purchases are: manufactured parts, sheet metal, mechanized welding and machining 49%; electrical panels and components 12%; and transmission systems and kinematics nearly 8%.

Suppliers are carefully selected and audited for industrial performance, employee working conditions, and respect for environmental standards.

Mecatherm does not handle the shipping of equipment sold to customers, which is entrusted to outside providers. However, Mecatherm teams do assemble and install production lines at its customers' sites.

Fair business practices

Ensuring consumer safety

Mecatherm applies industry standards to its equipment. After accepting the equipment, the customer is solely responsible for compliance with applicable food production standards. Nevertheless, if solicited, Mecatherm helps its customers implement measures to protect the health and safety of consumers. Assistance may be provided, for example, regarding the use of specific types of materials used by the food industry or the purchase of detectors (e.g. metal detectors) to be installed on production lines.

Food safety is a core element in the development of an industrial bakery.

All equipment that could be in direct or indirect contact with food is certified. Foreign substance detection systems are installed at the end of the production line. The automatic methods used by Mecatherm limit or totally eliminate all manual contact with food. Some customers, particularly in developing countries, use these industrial methods as a selling point, to demonstrate that health standards are high.

But beyond these measures, Mecatherm's processes aim to make its doughs more natural, with fewer enhancers. This is especially appreciated in many developing countries where for economic reasons bakers use artificial ingredients for better appearance or longer life. Mecatherm's procedures, which make it possible to work with more hydrated and more fermented doughs, provide the same results without artificial additives, which are known to cause health problems.

Safety of Mecatherm's equipment

As Mecatherm manufactures machines that carry the CE logo, it is responsible from the safety of the products it puts on the market and is subject to EU directives. The Company is therefore constantly seeking to improve the safety of its equipment at all stages of their life cycle, from design to installation and use to dismantling.

Preventing corruption

Mecatherm takes steps to prevent corruption.

To enable detection of unlawful activities, each salesperson reports to a person in a more senior position and is required to fill out a daily report on his/her activity using a CRM/business process security tool that facilitates the management of client data, and sales activities in general, and incorporates corruption criteria to reveal the risk level and country ranking according to the Transparency International Corruption Perceptions Index.

In addition, a memorandum on corruption in sensitive countries is sent to employees who travel. This memo includes precautionary measures to take during their travels.

Code of ethics and conduct

Lastly, a Code of ethics and conduct was implemented in November 2017 to raise awareness among all employees about ethical practices. It requires employees to behave in an exemplary fashion, ethically, with integrity and dignity.

Specifically, the Code of ethics and conduct incorporates relationships with others, personal responsibility, gifts, tips, invitations and rebates, conflicts of interest, proper conduct with regard to monetary questions, corruption, influence peddling, use of company products and services, purchases for private ends, workplace behavior, good practices, etc.

Commitment to human rights

Mecatherm refuses to use any child or forced labor.

When Mecatherm enters into any subcontracting or service-provider agreement for an amount of €5,000 or more, and every six months thereafter, it obtains verification by certified letter that its subcontractors are in compliance with French labor law, and more generally that French legal and social provisions are being applied.

3.2.6 CSP Technologies

Introduction

CSP Technologies ("CSP") is a material science and engineering company providing innovative, customized active polymer solutions to protect sensitive products. It designs and manufactures patented solutions for moisture- and/or oxygen-sensitive products in the healthcare industry and has a growing presence in solutions for the food safety end-market. The Company is the global leader in diabetes diagnostic test strip protection (desiccant plastic vials and containers), and is supported by its Six Sigma level production quality

CSP Technologies is a global leader in delivering innovative, high-quality product and packaging solutions that give customers a competitive edge and actively protect its customer's sensitive products.

CSP develops and markets solutions and services to address packaging concerns in a variety of industries including pharmaceuticals, transdermal drug delivery, food and electronics.

The core values of CSP are:

- **delivery** - *servicing customers with on-time, on-specification products in high volume and taking products from conceptualization to commercialization;*
- **innovation** - *pioneering new technologies and offering innovative design, material science, sheet extrusion, thermoforming, and complex molding;*
- **social** - *making strong investments in its people to assure that they have the technological knowledge and capability to help its customer;*
- **efficiency** - *continuous strengthening of its quality and reduction of its cost base through lean manufacturing, manufacturing footprint optimization and design to cost initiatives.*

Presence

CSP operates three manufacturing plants located in France, Alabama (USA) and Georgia (USA). All of CSP's manufacturing plants are engaged in the production of plastic components and packaging for various industries, notably medical and food.

CSP additionally operates representative offices in various countries typically for sales and marketing purposes and CSP's corporate office is located in New York State (USA).

Main Changes

Maxwell Chase Technologies, LLC acquired by CSP in March of 2016 has been included in scope of the 2017 KPIs.

Social

With a focus on innovation and delivery, human resources and staffing are critical to CSP's performance by ensuring deployment of talent to the appropriate areas of the business.

Employment

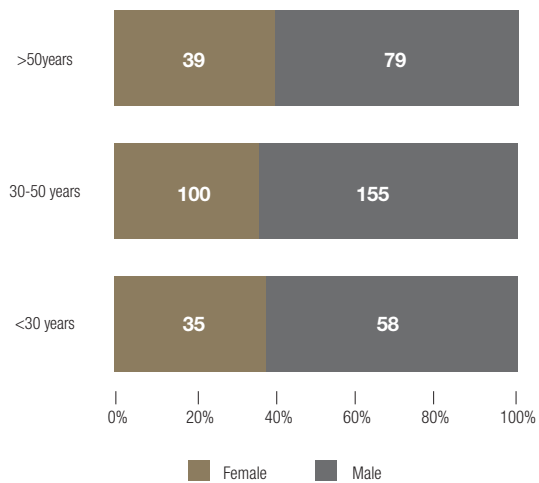
At December 31, 2017 CSP's workforce consisted of 466 full and part-time permanent employees. The majority of CSP employees are located at its main manufacturing facilities in the USA and France. The growth in workforce from 2016 (379 employees) has been driven by the growth of CSP and the inclusion of 38 individuals at December 31, 2017 for Maxwell Chase Technologies, LLC.

CSP additionally utilizes temporary employees sourced via local staffing agencies to meet the changing demands of the business (not included in the figure above).

Geographical and Demographic Split of the Workforce

Workforce (registered headcounts on December 31)	2017	2016
USA, Alabama, Georgia and New-York	345	267
France, Niederbronn	121	112

Workforce Demographics 2017



Employee Changes

Retaining and developing a high-quality workforce is critical to CSP. CSP offers competitive compensation and incentive packages which are reviewed on a regular basis by senior management.

CSP additionally strives to retain employees by offering equal opportunities and a safe, fair, honest and open workplace.

The absenteeism rate of CSP is below normal market levels.

Global	2017	2016
Employee turnover rate	10%	9%
Employee hiring rate	20%	16%
Number of temporary employees permanently hired (excluding internships)	47	24

Training

CSP offers employees' access to training relevant to their area of business. Training is offered internally, through external providers and both to new and existing employees. Some highlights of training undertaken during 2017 are as follows:

- sales and leadership training;
- food safety training;
- anti-corruption and anti-bribery training;
- technical courses such as vehicle operation, electrical training and manufacturing operations.

9 CSP employees are qualified as Six Sigma blackbelts (6 in 2016).

Health and Safety

As many of CSP's employees are engaged directly in the manufacturing process, promoting health and safety is a key objective of management. Internal health and safety reviews are conducted on a regular basis. The following areas are focused on:

- providing up to date and relevant training to at risk employees;
- complying with all relevant local and international rules on health and safety;
- analysis and introspection with relation to any incidents.

The above strategies have led to a low number of lost time injuries within the organization. The lost time frequency rate for CSP is 14.64 and the lost time severity rate is 22.53 for 2017.

Lost Time Injuries and Lost Work Days

Global	2017	2016
Number of lost time injuries	13	6
Number of lost time days	100	29

Relations with Professional Organizations

As part of its commitment to recruiting and retaining talent, CSP partners with local institutions. In the USA, CSP partners with colleges and universities. Through these partnership programs CSP offers compensated internship programs to several individuals annually. These programs may focus in research and development, design, engineering or quality assurance.

Additionally, CSP has participated in informational sessions at local educational institutions in the USA along with tours of the plant for relevant academic courses.

CSP has also continued partnerships with institutions in 2017 to design, develop and test new technologies. In particular CSP has sponsored several design teams at local educational institutions in the USA. In particular, where CSP lacks the expertise to test certain technological innovations internally it has partnered with research development laboratories in major academic institutions to perform the testing and assist in development of the technologies.

Environmental

CSP monitors compliance with relevant environmental laws and regulations.

Through its manufacturing processes and innovations CSP aims to drive efficiencies which result in a reduced environmental footprint, lower waste and emissions outputs.

Raw Materials and Waste Management

CSP has continued to focus on waste and scrap reduction through continuous improvement to manufacturing processes in 2017.

The primary inputs into CSP's business are petrochemicals, most notably polypropylene resins. CSP looks for ways to reduce the amount of materials consumed in its products on an ongoing basis by ensuring the efficiency of production processes and manufacturing to precise customer specifications.

CSP predominantly uses materials which can be recycled in the manufacturing process internally or resold to external vendors for reprocessing. Scrap which cannot be recycled results from contamination or mixture with other materials in the production process.

CSP is focusing on several specific projects related to a reduction in usage of raw materials and levels of scrap/ waste:

- introducing new manufacturing lines with innovative new processes to reduce the amount of materials used in production and separate production of different components. The separation of components reduces cross-contamination. Management anticipates that this will substantially increase the amount of

materials that can be re-processed internally during manufacturing;

- offering a wide selection of products with varying content of petrochemical resins to allow for the necessary amount of material to be tailored to each customer's need. These offerings reduce instances of customers needing to purchase products with an excess of material and increases cost effectiveness.

Raw Material Consumption and Waste

Global	2017	2016
Raw materials consumed (metric tonnes)	12,892	10,879
Raw Materials, Intermediate and Finished products scrap (metric tonnes)	840	760
Other types of waste: packaging, garbage, etc. (metric tonnes)	690	566

Scrap and waste have increased in-line with CSP's growth during the year. In particular, CSP introduced an entirely new thermoforming line during 2017. The startup of this production line resulted in a higher than normal level of initial scrap as the line has been calibrated. CSP also notes that it has undertaken several relocations of operations between its facilities during 2017 which has contributed to a proportionally higher level of waste.

Energy and Climate Change

The main energy input into CSP's manufacturing process is electricity. CSP also uses natural gas, automotive fuels and other energy sources on a limited basis. CSP has not noted any significant risk associated with adoption of prospective climate change legislation.

Electricity Consumption and Scope 2 GHG Emissions

Global	2017	2016
Electricity used on an annual basis (MWh)	49,272	43,186
Scope 2 GHG Emissions (Tonnes of CO ₂ equivalents)	22,188	19,652

Electricity consumption has risen from 2016 to 2017 particularly as a result of the thermoforming production line noted in the section above. The inclusion of Maxwell Chase in scope of 2017 has not had a significant impact (2017: 354 MWh, 2016: 0 in scope MWh).

CSP is undertaking in 2018 a scope 3 GHG materiality analysis as defined in the GHG Protocol and implementing tools in order to be able to track scope 3 emissions. Among the 15 emissions sources defined by the GHG Protocol, purchases of raw material inputs (most notably polypropylene resins) and capital goods have been identified as the most material scope 3 GHG emissions. Scope 1 GHG emissions are not considered significant to CSP.

Energy Efficiency Initiatives

Key projects with energy efficiency benefits in 2017 have been:

- replacement of parking lot lights with LED lights and replacement of surveillance cameras with more energy efficient versions resulting in approximately 6.1 MWh savings (Alabama);
- replacement of network servers with new ambient air cooled servers resulting in approximately 24.2 MWh of energy savings (Alabama);
- construction of new facility in excess of 100,000 sq. ft. The new facility has been constructed with energy efficient foam insulated walls, LED lighting and motion sensors reducing energy consumption (Alabama).

Consumer Health

CSP recognizes the importance of protecting consumer health. Generally, CSP only utilizes raw materials to produce packaging that are inert and considered non-harmful. Many of CSP's customers in the medical sector are regulated by bodies such as the FDA and operated under a strict framework.

Medical and Over-the-Counter Divisions

CSP generally sells and distributes packaging to customers who are then required to seek regulatory approval for the combination of content and packaging. For example, in the USA, many of CSP's customers are subject to FDA regulations. CSP works with customers to ensure that products meet precise specifications and operates under several ISO standards to ensure quality. In particular, CSP's state of the art inspection systems are capable of ensuring that a very high proportion of products shipping to the customer meet specifications (for example, products can be checked individually for defects, lid opening force etc.). CSP combines these technologies with manufacturing techniques such as Six Sigma that reduce the number of defects present. CSP also works actively with customers to meet their regulatory needs and engages in scientific testing of products at research and academic institutes.

Food Division

CSP maintains a FDA registered food facility in the USA used for food packaging in Alabama. The Maxwell Chase facilities in Georgia, USA operates with a NSF Food Safety Certification for packaging. Both facilities are subject to regular inspection and audit. Some key certifications held are:

- FDA Food Facility Registration (USA);
- Halal Food Production Certification (USA);
- NSF Food Safety Certification - BRC Packaging (USA).

CSP has also trained several individuals under the HACCP food safety system to mitigate risks associated with the production of food packaging during 2017.

Compliance/Regulation

Given the international scope of CSP's business, management is responsible for compliance with applicable laws, regulations and ethical codes (such as regulations on human rights, equality in the workplace and environmental legislation).

Business Ethics

CSP maintains internal policies on ethical behavior (notably ethical guidelines and specific policies governing compliance with country specific legislation). These are distributed to senior management, finance and sales personnel. Any potential compliance issues are escalated internally to senior management.

Specific training was held during 2017 for all senior managers and all sales staff globally to ensure compliance with anti-corruption and anti-bribery regulations.

Relationships with Suppliers

Over the course of its history, CSP has built a network of trusted suppliers and vendors. Outside of reviews for market competitiveness there is relatively little change in CSP's supplier base on an annual basis. This allows for CSP to develop relationships with suppliers to ensure exacting product specifications are met, consumer health is protected and the relationships are as efficient as possible. Subcontracting by CSP's suppliers is limited.

Supplier audits for CSP's medical division are conducted on a regular basis. These audits assess risks such as product contamination, employment practices and quality standards at suppliers. Formal audit reports are issued and any deficiencies are addressed with the suppliers.

Reporting Methodology

The information presented in this report include all material information, from Article R. 225-105-1 of the French Commercial Code (*Code de commerce*), representative of CSP Technologies' activity.

Scope

The following locations are within scope of this report:

- France manufacturing plant, except for annex location for raw materials;
- Alabama manufacturing plant;
- Georgia manufacturing plant;
- NY corporate office (for social data only).

The locations in scope provide 100 % of workforce coverage for 2017.

Social

Workforce

CSP's workforce is defined as the number of employees with a permanent contract with one of the entities within the CSP group. The totals include both salaried and hourly employees, as well as employees both under unlimited or limited contracts (CDD in France). Workforce metrics include full and part-time employees. Temporary employees, apprentices or interns are not included in the workforce totals, hiring or turnover rates.

In case of multi-hire or multi-termination, only the last movement is reported. For example, if an employee is hired, then terminated and re-hired during the year, only one hire is counted (and 0 termination).

Employee turnover rate is calculated as the total number of employees who have left the organization in 2017 voluntarily or through termination divided by the total workforce at the end of 2017.

Employee hiring rate is calculated as the total number of employees who have joined the organization in 2017 divided by the total workforce at the end of 2017.

The number of temporary employees permanently hired includes individuals employed on a temporary basis that have been hired as full-time or part-time employees during 2017. In France the figure excludes CDD contracts converted into CDI contracts. It excludes any individuals who have been hired after an internship.

Health and Safety

The number of lost time injuries is defined as the number of incidents resulting in one or more working days of lost time amongst full and part-time employees on a permanent. Accidents while commuting between work and home are excluded in these figures.

The number of lost time days is defined as the total number of working days of lost time resulting from the incidents noted above. The day of the incident is excluded from the figures and the number of days is rounded to one full day.

The lost time frequency rate is defined as the number of lost time injuries defined above divided by each million hours of worked time. The lost time severity rate is calculated as the number of lost time days, multiplied by 200,000 divided by the total number of hours worked.

Raw Materials and Waste Management

Raw materials consumed

Raw material consumption is defined as the total mass of resin and other raw materials where consumption exceeds 10 metric tonnes per year. This figure does not include packaging materials or components.

Scrap

This category is defined as finished goods or raw materials with faults, specification deficiencies or are defined as obsolete that are either re-introduced to the production cycle, recycled internally or sent to third party vendors for recycling.

Other waste production

The reporting perimeter is limited to the main categories of wastes that are material to operations, and does not cover all other waste categories. This includes:

- general office waste;
- packaging materials such as cardboard corrugate, plastic and other containers;
- scrap wood from broken pallets.

Energy and GHG emissions

Emissions related to electricity consumption of production, packaging and administration operations are calculated using emission factors from the 2014 EPA's eGRID database for the facility in the USA (SERC South region) and the IEA 2014 database for the facility in France.

3.3 Independent verifier's report on social, environmental and societal information presented in the management report

This is a free translation into English of the original report issued in the French language and it is provided solely for the convenience of English speaking users. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the shareholders,

In our quality as an independent verifier accredited by the COFRA ⁽¹⁾, under the number n° 3-1050, and as a member of the network of one of the statutory auditors of the company Wendel, we present our report on the social, environmental and societal information established for the year ended on the 31 12 2017, presented in chapter 3 of the management report, hereafter referred to as the "CSR Information," pursuant to the provisions of the article L.225-102-1 of the French Commercial code (*Code de commerce*).

Responsibility of the company

It is the responsibility of the Board of Directors to establish a management report including CSR Information referred to in the article R.225-105 of the French Commercial code (*Code de commerce*), in accordance with the protocols used by the company and its portfolio companies (hereafter referred to as the "Criteria") of which a summary is included in the methodological notes presented in chapter 3 of the management report and available on request at the respective headquarters of the company and its portfolio companies.

Independence and quality control

Our independence is defined by regulatory requirements, the Code of Ethics of our profession as well as the provisions in the article L. 822-11 of the French Commercial code (*Code de commerce*). In addition, we have implemented 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 independent verifier

It is our role, based on our work:

- to attest whether the required CSR Information is present in the management report or, in the case of its omission, that an appropriate explanation has been provided, in accordance with the third paragraph of R. 225-105 of the French Commercial code (*Code de commerce*) (Attestation of presence of CSR Information);

- to express a limited assurance conclusion, that the CSR Information, overall, is fairly presented, in all material aspects, in accordance with the Criteria;

Nonetheless, it is not our role to give an opinion on the compliance with other legal dispositions where applicable, in particular those provided for in the Article L. 225-102-4 of the French Commercial Code (vigilance plan) and in the Sapin II law n°2016-1691 of 9 December 2016 (anti-corruption).

Our verification work mobilized the skills of twelve people between October 2017 and March 2018 for an estimated duration of twenty weeks.

We conducted the work described below in accordance with the professional standards applicable in France and the Order of 13 May 2013 determining the conditions under which an independent third-party verifier conducts its mission, and in relation to the opinion of fairness and the reasonable assurance report, in accordance with the international standard ISAE 3000 ⁽²⁾.

1. Attestation of presence of CSR Information

Nature and scope of the work

We obtained an understanding of the company's CSR issues, based on interviews with the management of relevant departments, a presentation of the company's strategy on sustainable development based on the social and environmental consequences linked to the activities of the company and its societal commitments, as well as, where appropriate, resulting actions or programmes.

We have compared the information presented in the management report with the list as provided for in the Article R. 225-105-1 of the French Commercial code (*Code de commerce*).

In the absence of certain information, we have verified that the explanations were provided in accordance with the provisions in Article R. 225-105-1, paragraph 3, of the French Commercial code (*Code de commerce*).

(1) Scope available at www.cofrac.fr.

(2) ISAE 3000 - Assurance engagements other than audits or reviews of historical information.

We verified that the CSR information covers the consolidated perimeter, namely the entity and its subsidiaries, as aligned with the meaning of the Article L.233-1 and the entities which it controls, as aligned with the meaning of the Article L.233-3 of the French Commercial code (*Code de commerce*), hereafter "the portfolio companies"⁽¹⁾, with the limitations specified in the Methodological Notes of the company and its portfolio companies presented in chapter 3 of the management report, notably:

- As indicated in the paragraph «Encouraging subsidiaries to integrate CSR» presented in paragraph 3.1.1 of the management report, the required Information is presented for each company whose majority stake is held by Wendel and is not consolidated as specified in the article L. 225-102-1 of the French Commercial Code (*Code de commerce*);
- Regarding Bureau Veritas, we have taken notice of the conclusions formulated by the independent verifier mandated by the executive management of Bureau Veritas, which confirmed the presence in the management report of the required CSR information, except for environmental information (i.e. energy consumption and business travel) which are provided for a period covering January 1st 2016 to December 31st 2016 instead of the year 2017, as mentioned in the methodological notes.

Conclusion

Based on this work, and given the limitations mentioned above we confirm the presence in the management report of the required CSR information, with the aforementioned exception for the environmental information of Bureau Veritas.

2. Limited assurance on CSR Information

Nature and scope of the work

We undertook about 40 interviews with the people responsible for the preparation of the CSR Information in the different departments, in charge of the data collection process and, if applicable, the people responsible for internal control processes and risk management, in order to:

- Assess the suitability of the Criteria for reporting, in relation to their relevance, completeness, reliability, neutrality, and understandability, taking into consideration, if relevant, industry standards;
- Verify the implementation of the process for the collection, compilation, processing and control for completeness and consistency of the CSR Information and identify the procedures for

internal control and risk management related to the preparation of the CSR Information.

We determined the nature and extent of our tests and inspections based on the nature and importance of the CSR Information, in relation to the characteristics of the Company, its social and environmental issues, its strategy in relation to sustainable development and industry best practices.

For the CSR Information which we considered the most important⁽²⁾:

- At the level of the company and of its portfolio companies, we consulted documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions, etc.), we implemented analytical procedures on the quantitative information and verified, on a test basis, the calculations and the compilation of the information, and also verified their coherence and consistency with the other information presented in the management report;
- At the level of the representative selection of entities that we selected⁽³⁾, based on their activity, their contribution to the indicators of the company and if its portfolio companies, their location and a risk analysis, we undertook interviews to verify the correct application of the procedures and undertook detailed tests on the basis of samples, consisting in verifying the calculations made and linking them with supporting documentation. The sample selected therefore represented on average:
 - For the Constantia Flexibles group, 13 % of the total number of employees and on average 10 % of the quantitative environmental information tested;
 - For the Cromology group, 41 % of the total number of employees and on average 24 % of the quantitative environmental information tested;
 - For the Stahl group, 15 % of the total number of employees and on average 20 % of the quantitative environmental information tested;
 - For the Mecatherm group, 64 % of the total number of employees and on average 69 % of the quantitative environmental information tested;
 - For the CSP Technologies group, 26 % of the total number of employees and on average 32 % of the quantitative environmental information tested;
 - For the Tsebo group, the entire workforce of the reporting scope.

(1) Portfolio companies that are subject to this report are Bureau Veritas, Constantia Flexibles, Cromology, Stahl, Mecatherm, CSP Technologies, and Tsebo.

(2) The most important CSR information is appended to this report.

(3) For the Constantia Flexibles group, we selected the industrial sites of C. Patz (Germany), and C. Parikh (India). For the environmental and safety quantitative information of the Cromology group, we selected the industrial sites of Robbialac (Portugal) and Las Franqueses (Spain), supplemented by the Zolpan network (France) for energy and safety quantitative information. For the quantitative social information of the Cromology group, we selected the entities located in Portugal, in Spain, and the network Zolpan (France). For the Stahl group, we selected the industrial site of Toluca (Mexico), and Parets (Spain). For the Mecatherm group, we selected the site of Barembach (France). For the CSP Technologies group, we selected the site of Niederbronn (France). For the Tsebo group, we selected the headquarters (South Africa).

For the Bureau Veritas group, we verified that the Information published in Wendel management report corresponds to the information that was subject to verification by the independent verifier mandated by the executive management of Bureau Veritas.

For the other CSR information, we assessed their consistency in relation to our knowledge of the company.

Finally, we assessed the relevance of the explanations provided, if appropriate, in the partial or total absence of certain information.

We consider that the sample methods and sizes of the samples that we considered by exercising our professional judgment allow us to express a limited assurance conclusion; an assurance of a higher level would have required more extensive verification work. Due to the necessary use of sampling techniques and other limitations inherent in the functioning of any information and internal control

system, the risk of non-detection of a significant anomaly in the CSR Information cannot be entirely eliminated.

Conclusion

Based on our work, we have not identified any significant misstatement that causes us to believe that the CSR Information, taken together, has not been fairly presented, in compliance with the Criteria.

Observations

Without qualifying our conclusion above, we draw your attention to the Information published by the Constantia Flexibles group which calls for the following comment:

The number of training hours have not been published yet, awaiting an homogeneous calculation at Group level.

Paris-La Défense, the 20 March 2018

French original signed by:

Independent Verifier
ERNST & YOUNG et Associés

Caroline Delerable
Partner, Sustainable Development

Bruno Perrin
Partner

Quantitative social information	Involved companies
Registered headcount, or number of employees expressed in full time equivalent	Wendel S.E. and portfolio companies
Total number of hirings and terminations, or rate of hirings and terminations	Wendel S.E. and portfolio companies
Absenteeism rate	Wendel S.E., Cromology, Mecatherm
Lost Time Injury Frequency Rate, or number of lost time injuries	Portfolio companies
Severity Rate, or number of lost time days due to lost time injuries	Cromology, Stahl, Mecatherm, CSP Technologies, Tsebo
Percentage of industrial sites certified OHSAS 18001	Cromology
Total number of training hours, or number of hours of training per employee, or number of employees being trained at least one time	Wendel S.E., Cromology, Mecatherm, Tsebo
Total number of disabled employees, or rate of disabled employees	Wendel S.E., Constantia Flexibles, Mecatherm, Stahl

Qualitative social information	Involved companies
Organization of social dialogue	Portfolio companies
Health and safety at the work place	Portfolio companies
Training policies	Wendel S.E. and portfolio companies
Equality of treatment, including inclusion of disabled employees	Wendel S.E. and portfolio companies
Promotion and respect of the ILO core conventions	Constantia Flexibles, Cromology, CSP Technologies, Stahl

Quantitative environmental information	Involved companies
Percentage of industrial sites certified ISO 14001	Cromology
Air emissions (VOC, SOx and NOx), or ratio of air emission per product output (VOC)	Constantia Flexibles, Cromology
Emissions in water (Chemical Oxygen Demand, Solid Particles in Suspension)	Cromology
CO ₂ emissions, scopes 1 and 2	Constantia Flexibles, Cromology, Stahl, CSP Technologies, Mecatherm
CO ₂ emissions, scope 3	Stahl, Mecatherm
Quantity of hazardous and non-hazardous waste, or ratio of produced waste quantity per product output	Constantia Flexibles, Cromology, Stahl, CSP Technologies, Mecatherm
Waste recovery rate	Constantia Flexibles
Total water consumption, or ratio of water consumption per product output	Constantia Flexibles, Cromology, Stahl, Mecatherm
Total energy consumption	Constantia Flexibles, Cromology, Stahl, Mecatherm, CSP Technologies
Raw materials consumption	CSP Technologies

Qualitative environmental information	Involved companies
Company organization to take into account environmental issues	Wendel S.E. and portfolio companies
Energy efficiency	Constantia Flexibles, Cromology, Stahl, Mecatherm
Raw materials consumption	Constantia Flexibles, Cromology, CSP Technologies
Significant emission sources of greenhouse gas generated by the company's activities, including the use of the goods and services it produces (scope 3)	Constantia Flexibles, Cromology, Stahl, Mecatherm, CSP Technologies
Actions to limit food waste	Tsebo

Qualitative information related to societal commitment for a sustainable development	Involved companies
Territorial, economic and social impact of the company in terms of employment and regional development	Portfolio companies
Dialogue conditions with individuals or organizations interested in the company's activities	Wendel S.E. and portfolio companies
Integration of ESG criteria in portfolio management	Wendel S.E.
Consideration of CSR issues in relationships with suppliers and subcontractors	Portfolio companies
Actions undertaken to prevent bribery and corruption	Wendel S.E. and portfolio companies
Measures undertaken in favor of consumers' health and safety	Constantia Flexibles, Mecatherm, CSP Technologies, Tsebo