



WENDEL

2018

# Registration Document

including the annual financial report

MORE THAN 310 YEARS OF HISTORY

# NON-FINANCIAL INFORMATION

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

### Non-financial statement: reporting methodology

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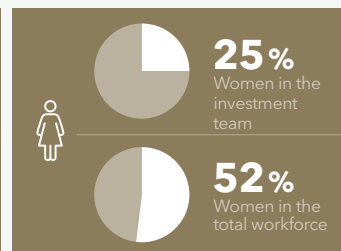
In the context of Decree No. 2017-1265 of August 9, 2017 transposing Directive 2014/95/EU of October 22, 2014 setting out the rules relating to the publication of non-financial information in the management report provided for in Article L. 225-100 of the French Commercial Code, Wendel has produced the non-financial statement presented in the following pages for the 2018 fiscal year.

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

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

*(1) The Wendel name includes the Company's head office in Paris and its offices abroad*

HUMAN RESOURCES



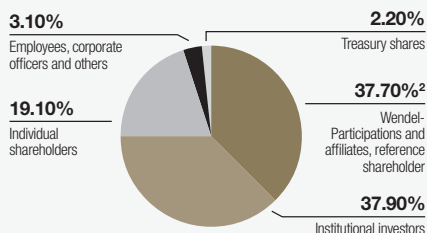
CSR: ACT AS A LONG-TERM INVESTOR

CSR objectives are included in the variable compensation of the Executive Board and senior executives

CSR strategy: the health and safety of employees and consumers and the integration of ESG aspects in the performance of products and services are central to Wendel's CSR strategy

STAKEHOLDERS & VALUE ADDED

PRINCIPAL SHAREHOLDERS<sup>1</sup>



KEY FIGURES 2018<sup>1</sup>

- Consolidated sales: **€8,389m**
- Nearly **€5bn** in market capitalization
- Net Asset Value (NAV) of **€147.4** per share
- Total shareholders return (dividends reinvested): **11.3% per year since 2002**

1. All figures are as of December 31, 2018  
2. Share of the capital held by Wendel-Participations as of December 31, 2018 for 51.09% of the voting rights. In accordance with Article L.233-10 of the French Commercial Code, the figures include Wendel-Participations and its Chairwoman. Shareholders of Wendel as at December 31, 2018.

SOCIETY

- Partnership with INSEAD since 1996
- Commitment to the Centre Pompidou-Metz since 2010
- Philanthropy Committee: support for community-based projects

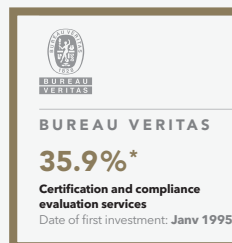
OTHER STAKEHOLDERS

- In 2018, Wendel met nearly 250 equity and fixed income investors (roadshows in France, Europe and North America and meetings at headquarters)
- Since 2009, Wendel has a Wendel Shareholders Advisory Committee
- Participation in and membership of professional and local bodies: AFEP, ANSA, MEDEF, France Invest, Paris Europlace

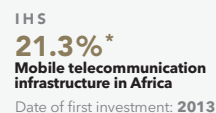
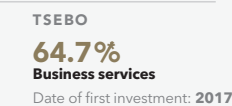
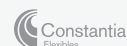
PORTFOLIO COMPANIES

Wendel's know-how consists in selecting leading companies, making a long-term investment and helping to define ambitious strategies, while implementing a clear, explicit shareholder approach...

LISTED ASSET



UNLISTED ASSET



\* Share of the capital held by Wendel as of 12/31/2018

HISTORY

**315**  
years  
of history

**274**  
years  
in the steel  
industry

**41**  
years  
in investment



WENDEL VALUES

- Long term commitment
- Excellence
- Openness
- Family



STRATEGIC ORIENTATIONS 2017-2020:

- Continued investment in high-quality assets
- Development of Group companies to create value
- Prudent financial structure
- Creating value for shareholders

### At the Wendel level

In this respect, Wendel has identified the main non-financial risks relating to its business, based on the operational risks already identified, interviews with its various departments, the international SASB reference framework and the reports of non-financial rating agencies (ISS, Oekom and Sustainalytics). Once identified and assessed, these risks were submitted to the Wendel Executive Board for approval and reviewed by the Wendel Audit Committee.

The main risks that have been identified are as follows:

- non-financial challenges in Wendel Group subsidiaries: awareness of the risks and opportunities to create long term value;

- risks related to the human resources of Wendel teams;
- risk of non-independence of governance bodies and control mechanisms;
- compliance risks.

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

**NFS**

The cross-reference table below links the non-financial information required in the Non-Financial Statement (NFS) with the other parts of the Wendel registration document, when they are relevant to the Company's main risks or policies, in accordance with Article L. 225-102-1 of the French Commercial Code.

Topics	Paragraph
<b>Business model</b>	
Description of the main businesses (business segments and/or divisions), products or services, including key figures (i.e. Volume of activity, headcount, results) by business/division and/or geographical area	Introductory guide + pages 18 to 31
Interactions within its subsidiaries/business segments (i.e. customer categories, potential partnerships, use of subcontracting, competitive positioning, relations with stakeholders, etc.)	Competitive positioning: p. 19
Challenges and outlook for the entity and its businesses (i.e. market trends, ongoing transformations, sectoral sustainable development issues, etc.)	Strategic orientations: p. 12, 30, 31
Information relating to value creation and its distribution among stakeholders	Dividends: p.28 Civil society commitments
Vision and objectives of the entity (i.e. values, strategy, transformation or investment plan).	p. 14-15
<b>Main risks related to Wendel's business</b>	
non-financial challenges in Wendel Group subsidiaries: awareness of the risks and opportunities to create long term value	Part 1.3.1
Risks related to the human resources of Wendel teams	Part 1.3.2
Risk of non-independence of governance bodies and control mechanisms	Part 1.3.3
Risks arising from business ethics	Part 1.3.4
<b>Other information disclosed by Article L. 225-102-1 of the French Commercial Code</b>	
The employee-related consequences of the business, particularly with regard to collective agreements and their impact, the fight against discrimination and the promotion of diversity, societal commitments, disability;	Part 1.3.2
The environmental consequences of the business, in particular with regard to climate change, the circular economy, food waste, the fight against food insecurity, respect for animal welfare and responsible, equitable and sustainable nutrition;	Environmental risks have not been identified as relevant in view of Wendel's investor activity (other than risks related to the business of the subsidiaries and associates).
The impact of the business on respect for human rights	Part 1.3.2. - Promotion and respect of the ILO fundamental conventions
The impact of the business on the fight against corruption.	Part 1.3.4.

Additional information (not directly related to the main non-financial risks) is presented to provide a better understanding of Wendel's CSR context. This is the case for Parts 1.1, 1.2 and 1.4.

### At the Wendel Group subsidiary level

Wendel is the majority shareholder in Bureau Veritas, Constantia Flexibles, Cromology, Stahl and Tsebo. The financial statements of these companies are fully consolidated in Wendel's consolidated

financial statements. Accordingly, they must be reviewed by an independent third-party verifier, as required by Article L. 225-102-1 of the French Commercial Code (*Code de commerce*).

As a result, the same exercise was carried out in each of the companies in the consolidated portfolio. The Wendel Group, assisted by an external consulting firm, provided a methodology for identifying and prioritizing the main non-financial risks to the consolidated companies (excluding Bureau Veritas): Cromology, Constantia Flexibles, Stahl and Tsebo. The results of this work have been validated by the appropriate governing body of each company in the portfolio and reviewed by an independent third-party body (ITB). The main risks are presented for each of the subsidiaries and associates (Part 2: Subsidiaries' NFS).

For Bureau Veritas, Wendel's largest investment, listed on Euronext Paris and included in the Next 20 index (Compartment A, Code ISIN FR0006174348, stock symbol: BVI), Wendel publishes a summary of information on its social and environmental responsibility. Since Bureau Veritas is obligated to publish and verify this data, all of the information required concerning it, including the NFS, is available in its own registration document for 2018.

In addition, the data on subsidiaries and associates published in Part "3.1.3 - non-financial risks within the Wendel Group's subsidiaries" concerns the fully consolidated subsidiaries (Bureau Veritas, Constantia Flexibles, Cromology, Stahl and Tsebo).

Every Group subsidiary and associated company is expected to develop a CSR policy addressing its specific issues. Each company has therefore established targets and action plans based on its sector's regulatory environment and its individual growth strategy. Group companies operate in very different fields (see Section 1.7 "Subsidiaries and 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; instead it has decided to publish indicators monitoring the CSR policies of its associated companies.

### 3.1.1 CSR governance involving the various internal stakeholders

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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. 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.

Wendel adopted a Code of Ethics which embodies the values of the Company's employees and shareholders, and supplies the frame of reference for Wendel's role as a long-term investor. It applies to all employees and executives of the Company.

In addition, Wendel pays special attention to two CSR themes within its subsidiaries: employee health and safety, as well as the integration of ESG (Environment, Social and Governance) performance criteria into the design of products and services (see *section 1.3. non-financial challenges within Wendel Group subsidiaries: consideration given to risks and opportunities for the creation of value over the long term*). All companies subject to the NFS obligation have been requested to integrate these two criteria into their risk analyses.

### 3.1.2 An intensified CSR approach in 2018

The CSR approach gained momentum in 2018, both at Wendel and its subsidiaries.

#### At the Wendel level

For 2018, CSR objectives were integrated into the Executive Board's variable compensation. In particular, Wendel's Supervisory Board 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.

Remote collaboration tools (Office 365, videoconferencing and teleconferencing tools) have been deployed or improved at Wendel to reduce the environmental footprint and improve collaborative efficiency. Although Wendel's activities have a limited impact on the environment, these tools make it possible to limit travel, paper printing and email size.

The Group's solidarity approach has evolved to support more projects across more diverse themes than in the past. To implement it, Wendel created a Philanthropy Committee in 2018 to select the projects supported, some of which are presented by Wendel employees (*for more information, please refer to paragraph 1.5. Commitments in civil society*).

#### At the subsidiary level

In 2018, Wendel also developed its CSR approach with subsidiaries, by increasing the level of requirements and the support provided for the implementation of regulations applicable in 2018 in relation to CSR: the French "Sapin 2" law, Duty of care, Non-Financial Statement (NFS) etc.

For each of these regulations, Wendel provided its consolidated subsidiaries with internal support (Wendel Communication and Sustainable Development Division) or with support from external consultants. In particular, a reporting platform (Reporting 21) was made available at Cromology, Constantia Flexibles, Stahl and Tsebo to collect and centralize all quantitative and qualitative non-financial data from the subsidiaries and associates and to improve data management and auditability.

These topics were discussed with the relevant governing bodies of each portfolio company (Audit Committee, Board of Directors,

executive management) concerned by these regulations in concert with the investment team members who keep track of shareholdings and who were involved in monitoring these missions. Compliance with these regulations was also one of the conditions for the variable compensation of the N-1 members of the Executive Board, the investment teams and the managers of the companies concerned.

#### Duty of care

In 2016, in response to the requirements of the law of March 27, 2017 on the Duty of care, Wendel's CSR Steering Committee set up a 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, and Tsebo.

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

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

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

On the basis of this questionnaire, vigilance plans were drawn up by the consolidated companies in accordance with applicable regulations and are published in this registration document.

As Wendel is a holding company made up of a small management team, its duty of care largely relates to its shareholdings and is thus covered in the NFS. Nonetheless Wendel incorporated duty of care into its whistleblowing procedures and began setting up a third-party assessment procedure.

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



### 3.1.3 Wendel's main non-financial risks

The main non-financial risks that have been identified as relevant to Wendel are as follows: non-financial risks within subsidiaries, risks linked to human resources and business ethics.

#### 3.1.3.1 non-financial challenges within Wendel Group subsidiaries: consideration given to risks and opportunities for the creation of value over the long term

NFS

##### Risk description

Wendel defines itself as a long-term investor. As non-financial issues may have far-reaching implications with regard to the strategy and operations of its portfolio companies, Wendel considers it essential to take these into account with regard to the risks that may be generated as well as the opportunities for the creation of value over the long term which they represent.

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

##### Policies and results

Beyond the implementation of the regulations mentioned in 1.2, Wendel has a responsible investor strategy and integrates the study of ESG (Environment, Social and Governance) risks and opportunities throughout the life cycle of its investments, in particular:

##### 1) at the time of acquisition:

Wendel, a historically industrial investor, invests in diversified business segments and does not invest in business segments whose image would damage the Company's reputation and its values.

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.

- In 2018, the Sustainable Development department was consulted by the investment teams on all investment opportunities in the advanced study phase.

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

As a shareholder, the Wendel Group is not involved in the operational management of its subsidiaries but does ensure, mainly

through close communication with their management and the Boards of directors, that these companies gradually integrate CSR issues in their risk management and strategies. The subsidiaries and associates are already subject to numerous national regulations, and this dialogue is carried out in compliance with local laws;

- 100% of companies had a Committee or Board of Directors that reviewed CSR in 2018;
- 100% of the companies identified non-financial risks relating to their business, the mitigation policies in place and to be implemented, and monitor them via specific indicators, within the framework of the NFS regulation;
- 100% of the companies have implemented a Vigilance Plan on CSR issues in their business and that of their suppliers and/or subcontractors, as part of the regulation on the Duty of Care. Four of them were not subjected to this regulation outside Wendel's control.

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

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

For example, at Cromology and Constantia Flexibles, the criteria used in determining the variable compensation of management includes occupational health and safety criteria. This indicator has also been monitored by Stahl's Board of Directors at Wendel's request since 2006, when Stahl joined the Group, and has been declining steadily since then, although it was at a low level to begin with. Moreover, 100% of Cromology's industrial sites are OHSAS18001 certified.

Constantia Flexibles has also been rewarded for its efforts in the field of occupational safety, since the frequency rate of lost-time incidents has decreased by 44% since 2015, when Wendel became the majority shareholder.

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

For example, with its solutions, Bureau Veritas helps customers continuously improve their operations in the areas of health and hygiene, safety and the environment. More than 85% of products designed by Stahl are now solvent-free. Cromology's strategy is to develop innovative products with new functions that are more resistant, and therefore better for the environment from a life-cycle perspective, and that meet French "HQE" (High Environmental Quality) standards. Cromology achieved its goal of reducing the volatile organic compounds (VOC) emissions of its products over a ten-year period. Around ninety percent of the paint in its product ranges is now water-based. Similarly, Constantia Flexibles is committed to ensuring that 100% of its packaging solutions are recyclable by 2025.

In addition, Stahl and Constantia Flexibles, since 2018 use the life-cycle analysis (LCA) methodology of their products and processes.

Owing to its catering activity, and with the help of dieticians, Tsebo has integrated nutritional food quality issues and has developed the "SmartChoices" program in its school services (for more information, see the Tsebo NFS).

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

In 2018, on its own initiative, Wendel collected and published data<sup>(1)</sup> on the CSR performance of its consolidated companies in the following areas:

#### Employee-related

- The number of employees in the Wendel consolidated portfolio at December 31, 2018 was 128,118, spread over Europe, North America, South America, Africa and Asia;
- 100% of companies have developed a training plan.

#### Environmental

- Five companies have set up an environmental management system (in particular through ISO 14001 certification of all or part of their business scope);
- 80% of companies have implemented measures to increase the share of renewable energy in their energy consumption.

#### Societal

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

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

NFS

#### Risk description

The Wendel Group's primary resource is its human capital. Its human resources therefore represent its biggest risk factor, but also its most valuable opportunities.

In effect, Wendel provides a professional service that requires a high level of competence from its employees. In addition, as Wendel is a long-term investor, employees are responsible for the relationship with portfolio companies and for the confidentiality of the information processed. In addition, as Wendel is a long-term investor, employees are responsible for the relationship with portfolio companies and must continually engage with them in a constructive manner on all strategic aspects of the workplace. Attracting and retaining talent over time is therefore a key factor in the Group's success. However, the size of the Wendel teams (94 employees worldwide) limits this risk, which remains under control.

#### Policies and results

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

(1) These indicators concern Wendel's full consolidation scope and cover Bureau Veritas, Constantia Flexibles, Cromology, Stahl and Tsebo.

### Context of Wendel teams

As at December 31, 2018, Wendel and its holding companies employed a total of 94 people.

Wendel has foreign offices that dedicated to investment research and/or 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 in 2007, Morocco, Singapore and the United States in 2013 and the United Kingdom in 2015.

Wendel has 51 employees in France (excluding three expatriates). In addition to the investment team and the senior management team, 10 or so experts specializing in finance, law, taxation and communication work in the management teams on investment and divestment transactions in France and abroad on a day-to-day basis.

In 2018, Wendel employed one fixed-term contract (apprenticeship contract) and three temporary employees to cover either the replacement of an absent employee or an increase in activity.

Employees with a permanent* employment contract in France: staff numbers and change	12/31/2018			12/31/2017			12/31/2016		
	Non- management	Mana- gement	Total	Non- management	Mana- gement	Total	Non- management	Mana- gement	Total
Total workforce	4	50	54	5	46	51	9	46	55
of whom Women	1	27	28	2	24	26	5	24	29
Men	3	23	26	3	22	25	4	22	26
New hires	-	7	7	-	6	6	-	3	3
of whom Women	-	3	3	-	3	3	-	1	1
Men	-	4	4	-	3	3	-	2	2
Departures	-	4	4	3	7	10	-	12	12
of whom Women	-	1	1	2	4	6	-	4	4
Men	-	3	3	1	3	4	-	8	8

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

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

The holding companies and offices outside of France are located in eight countries and have 43 employees, more than two-thirds of whom are in the investment teams. (Investors + Office Managers and Assistants). The rest of the teams work primarily in financial and legal activities at the holding companies in Luxembourg and the Netherlands.

Employees with a permanent* employment contract abroad: staff numbers and changes	12/31/2018		12/31/2017		12/31/2016	
Total workforce	43		46		44	
of whom Women	19		21		19	
Men	24		25		25	
New hires	3		6		20	
of whom Women	2		3		9	
Men	1		3		11	
Departures	6		4		4	
of whom Women	4		1		2	
Men	2		3		2	

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

### Key people

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

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

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

### Talent acquisition and retention

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

#### Training

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

In 2018, in order to optimize employee development and labor relations, the Management implemented a 360° feedback process in conjunction with the annual appraisals. This process will also ensure that training is better adapted to each employee according to the Company's needs.

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

Accordingly, the Company has implemented, in all offices, a certain number of mandatory training courses for employees in areas that it considered important given its role as an investor, in particular compliance, digitalization tools and interpersonal communication. Division-specific training has also been widely introduced.

- In France, all employees received at least one training course, including trainees and apprentices, for a total of 937.5 hours;
- On average, this represents 18.3 hours of trainings per employee<sup>(1)</sup>, compared to 8 hours in 2017.

A training program dedicated to digitalization, Digital@Wendel was introduced in 2018, to train all Wendel employees in the challenges related to digitalization, their impact on the Group's investment business and other businesses, on portfolio companies, but also on digital collaboration tools. This program enables Wendel to remain competitive in a market environment with constantly evolving technological developments.

### Work-Life Balance and Working Conditions

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

Support for managers, regular meetings with employees and close dialogue with employee representatives (Works Councils, CHSCT (*Comité d'hygiène, de sécurité et des conditions de travail* [Committee for Hygiene, Safety and Working Conditions]), aim to optimize working conditions and relations. In this way, Wendel can implement the measures that most closely match staff expectations.

In France, 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 2018, Wendel financed daycare for four children, for the benefit of four employees.

Furthermore, in addition to the part of the Works Council's budget devoted to social and cultural activities (Holiday vouchers, Gift vouchers, discounted cinema tickets, etc.), Wendel covers various services: sports lessons, Cesu checks (Checks for Universal Employment Services), health checks.

Finally, with regard to the development of digital tools (laptops, mobile phones and smartphones), it has become necessary to guarantee employees a right to disconnect, in order to preserve their right to rest and respect their personal and family life. Consequently, since the right to disconnect has been incorporated into the Labor Code with Act No. 2016-1088 of August 8, 2016, Wendel has undertaken to ensure that this right is respected for all its employees, and that the workload does not entail an obligation for the employee to remain "connected" during the periods when the employment contract is suspended. A charter was created and submitted to the Wendel Works Council, which issued a favorable opinion on February 26, 2018.

In 2019, Wendel began to develop the practice of teleworking. A specific charter was signed in November 2018 and is currently being introduced.

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

All these measures represent an additional factor of attractiveness on the labor market.

(1) Employees in France with permanent contracts, excluding expatriates, at 12/31

**Absenteeism**

	2018	2017
Absenteeism (scope: France)	3.11%	3%

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

Absenteeism, excluding family events, remained stable at around 3.1%. There were two commuting accidents and one workplace accident in 2018.

**Combating discrimination and promoting diversity**

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.

The indicators for monitoring this issue are as follows:

	2018 Data		2017 Data	
	France	International	France	International
Women in the total workforce*	52%	44%	54%	46%
Women in the workforce* management	54%	N/A	50%	N/A
Female Investors**	25%	22%	20%	18%
Women on the Investment Committee		15%		17%
Women on the Supervisory Board		45%		45%
Women as a percentage of new hires	43%	67%	50%	50%

\* France scope: Permanent contract staff in France without the three management-level male expatriates./International scope: Employees with a permanent\* international employment contract including three management-level male expatriates (employment contract in France suspended).

\*\* Women employees within the investment teams, excluding assistants and office managers.

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

Wendel employs a person with a disability in France and enters into supply contracts with work assistance institutions. The mandatory contribution paid to AGEFIPH, an organization that promotes the employment of people with disabilities, was ca. €7.4 thousand in 2018.

**Compensation**

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 compensation is awarded based on individual and collective performance.

For France, total compensation in cash (base salary, variable pay and individual job-related bonuses) paid in respect of 2018 was approximately €12.4 million. This figure is slightly higher than in 2017.

Wendel has also had a collective performance bonus in place since 2006. The performance criteria established in 2015 were not met in 2018. There will therefore be no performance bonus paid in respect of 2018.

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

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

**Promoting employee shareholding**

Wendel believes that employee share ownership is essential for establishing a long-term partnership with employees and has always encouraged it, whether through the Group Savings Plan

that has been in place for more than 30 years or grants of performance shares and/or stock options, which most employees have received since 2007.

#### Grant of stock options and performance shares

In addition to the two Executive Board members, 79 employees in France and abroad received stock options and/or performance shares by virtue of the authorization granted at the Shareholders'

Meeting of May 17, 2018 and the Executive Board's decision on July 6, 2018.

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, 2018:

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

	Total number of options	Strike priceweighted average
Options granted during the year to the ten Group employees who were granted the largest number of options	72,000	€120.61
Options exercised during the year by the ten employees who exercised the most options	36,568	€89.69 <sup>(1)</sup>

(1) In 2018, these options were exercised at €22.58 (W 2-1 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 40,000.

#### 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 at December 31, 2018, excluding Executive Board members, former and current employees held 0.73% of the capital of Wendel via the Group Savings Plan.

In June 2018, the Executive Board decided to carry out a capital increase. Ninety-four percent of eligible employees subscribed and were allocated a total of 17,063 shares.

#### Offering additional pension benefits

##### "Perco" pension plan

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

On December 31, 2018, 34.5% of the employees present had already invested in Perco, compared with 29% at the same date of the previous year.

##### Supplementary pension plan

In 1947, the Company "Les Petits-Fils de François de Wendel" (now Wendel) 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 this compensation. The pension plan provides for a payout of 60% to a surviving spouse on the date of the employee's retirement, and includes supplements for dependent children.

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

As at December 31, 2018, there were 36 retirees and six employees of the Company who benefited from the plan.

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

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

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

### 3.1.3.3 Independence of governance bodies and control mechanisms

NFS

#### Risk description

Wendel is managed by an Executive and Supervisory Board and has a main shareholder, Wendel-Participations, which held, as at 12/31/2018, 37.69% of Wendel's capital and 50.32% of the theoretical voting rights. Wendel's Supervisory Board is composed of six non-independent members, related to the Wendel family, and five independent members.

#### Policies and results

The division of powers between the Executive and Supervisory Boards is described in section 2.1.5 of the registration document. section 2.1.2 describes the composition of the Supervisory Board and its operating procedures, including the assessment of the independence of its members.

Governance is organized to ensure that control is appropriate: these measures are described in section 7.4.2 of the registration document.

#### Internal control

##### Risk description

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

##### Policies and results

For internal control procedures, refer to chapter 2.3 Risk management and internal control system.

### 3.1.3.4 Risks linked to Business Ethics

NFS

#### Risk description

The risk mapping for Wendel and its direct subsidiaries (holding companies and foreign offices) has shown that the risk of corruption could arise in the context of some of activities, in particular its investment activity, for example to influence the outcome of a competitive process for the acquisition or sale of a company, the granting of specific authorizations or the dissemination of confidential information.

#### Policies & Results

Wendel established and distributed 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 corruption, and modernizing the economy. In April 2019 it was completely revised and circulated in order to align with the recommendations of the French anti-corruption agency (AFA) and take Wendel's business risks as identified in the risk mapping into account. This policy is currently being redesigned for publication in the first quarter of 2019.

The 8 measures prescribed by the "Sapin 2" law were implemented in 2018 and early 2019 within the Wendel Group: anti-corruption policy, internal whistle-blowing system, risk mapping, third-party evaluation, accounting control procedures, obligatory Group employee training system, disciplinary system in the event of a breach of the Code of Conduct, internal control and evaluation system for the measures taken. These measures were subject to a specific internal control audit, which was carried out in March 2019.

Wendel also ensures the implementation of the measures required by the "Sapin 2" law within the controlled companies in its portfolio. In late 2018 Wendel, with the help of an external consultant, conducted a preliminary evaluation of the implementation of the law's requirements. It focused on the existence of the eight measures required by the "Sapin 2" law in each of the portfolio companies.

Wendel also ensures the implementation of the measures prescribed by the "Sapin 2" law within the controlled companies in its portfolio. An external consultant was commissioned to conduct a preliminary evaluation of the implementation of the law. The external consultant reviewed the eight measures prescribed by the "Sapin 2" law in each of the portfolio companies. No effectiveness tests have been conducted.

Each review was broken down as follows:

1. review of the AFA (French Anti-Corruption Agency) questionnaire completed by each company and review of the documents attached to the questionnaire;
2. interviews with the main individuals concerned (legal, compliance, finance, human resources, internal control/internal audit);
3. analysis of the documentation provided to Wendel and the documentation provided on site;
4. feedback and recommendations meeting with each of the audited companies.

### 3.1.4 Compliance program

Wendel pays particular attention to the implementation of its compliance program in a constantly changing regulatory environment.

Wendel is committed to promoting best practices in this area throughout the Group in order to reduce these risks.

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

As regards applicable regulations, the most important regulatory issues with regard to the Wendel Group's business segment and in accordance with the NFS are the prevention of acts of corruption and the fight against influence peddling.

To promote an overall understanding of the compliance mechanisms in place beyond the disclosure obligations imposed by the NFS, below is a description of the compliance program adopted by Wendel at the initiative of the Executive Board:

- a Code of Ethics,
- a policy to prevent corruption and influence peddling,
- a policy to comply with international sanctions programs,
- an anti-money laundering policy,
- a whistle-blowing system and
- the implementation of the European General Data Protection Regulation (GDPR).

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

When examining investment files, due diligence specific to compliance matters is carried out, which depends both on the business of the target company and on the country or countries in which it operates. Integrity due diligence of stakeholders is carried out, i.e. of sellers, buyers, shareholders and managers. Such assessments will be enhanced as Wendel rolls out its compliance program.

Wendel ensures that the companies in its portfolio implement a compliance program.

Wendel rolls out its compliance program with its employees and portfolio companies through specific policies, appropriate for the Company's risks and through mandatory training sessions.

#### Preventing market abuse

Given its activity as an investor and its status as a listed company, Wendel must prevent any market abuse.

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.

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

Wendel is in compliance with European Regulation 596/2014 of the European Parliament and of the Council of April 16, 2014 on market abuse ("MAR") and opens insider lists whenever necessary and has established blackout periods during which all transactions are prohibited in order to prevent any breach. A Compliance Committee is in charge of ensuring compliance with stock market regulations within Wendel.

#### Compliance with economic sanctions

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

#### Anti-money laundering

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

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

To ensure compliance with its anti-money laundering policy, all employees of Winvest Conseil S.A. and its subsidiaries undergo an annual course on the subject. The course is overseen by the fund manager's Head of Compliance.

Winvest Conseil S.A.'s management board conducts a monthly compliance assessment which also covers AML/CFT.



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

### **The fight against tax evasion**

Wendel ensures that its activities comply with laws and regulations meant to combat tax evasion<sup>(1)</sup> and in general endeavors to invest the funds entrusted to its care in strict adherence to tax regulations in force via suitable means and due diligence.

### **Whistle-blowing procedure**

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

A whistle-blowing service is also available for third parties working with Wendel

### **Personal data protection**

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

In 2018, all employees received mandatory training on personal data protection.

Moreover, the Digital@Wendel program emphasizes data confidentiality and trains Wendel employees in good practices in this area.

### **Distribution to employees**

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.

*(1) As provided for by Article 20 of Law No. 2018-898 of October 23, 2018 on combating fraud.*

### 3.1.5 Commitments in civil society

In addition to the main non-financial issues related to the investor activity, Wendel is committed to maintaining and developing its involvement in civil society.

#### 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.

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. The Group is represented on the Centre Pompidou-Metz Board of Directors by Nicolas ver Hulst, Chairman of Wendel's Supervisory Board. Frédéric Lemoine, former Chairman of the Executive Board of Wendel, sits on the board of directors of INSEAD Business School.

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 2018

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

In addition, in 2018, the Wendel Running Team participated in several races including the *La Parisienne*, the London Half Marathon and the Paris 20 km for various charities.

#### Stakeholder relations

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

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

Wendel's Shareholders Advisory Committee was created in 2009, and it met three times in 2018. 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. Three new members joined the committee in 2018.

Wendel participated in the Actionaria trade show in 2018:

- Wendel keeps the financial community (analysts, institutional investors and individual shareholders) regularly informed of its earnings, business activities and strategy. In 2018, Wendel met nearly 250 equity and bond investors at roadshows (France, United Kingdom, Austria, Germany, Switzerland, Netherlands, United States, Canada and Sweden) and at its headquarters;
- 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

### 3.2.1 Bureau Veritas

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

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

#### Promoting trust

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

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

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

Today, the Group is capitalizing on its extensive experience to better serve society's aspirations.

Driven by society, Bureau Veritas acknowledges the challenges of growing urbanization, anticipating the need for safer, smarter cities. The Group anticipates the expectations of an expanding global population, including the need for safe and reliable agricultural production. Bureau Veritas understands the impact of climate change, working to ensure people worldwide have access to cleaner energy while supporting its clients in the efficient management or conversion of their existing assets. We embrace digitalization while mitigating the risks it brings.

#### Bureau Veritas is entering a new era

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

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

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

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

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

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

#### Bureau Veritas' CSR commitment

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

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

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

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

#### **Bureau Veritas commitment to Corporate Social Responsibility**

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

CSR is embedded in our purpose and corresponds to our will to act in a responsible and sustainable way. Our mission and the nature of our services allow us to serve the society by reinforcing safety, improving quality and protecting the environment.

As a leader of our market sector we want to be exemplary. In 2018, five key actions were initiated to accelerate our CSR program. We have:

- reinforced our central and regional CSR organization;
- reduced our accident rate by 18%;
- reduced by 4% our laboratories the energy consumption;

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

- launched a project for the biodiversity protection;
- intensified our actions for inclusion and diversity.

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

We want Bureau Veritas to remain a model company, responsible and committed towards the Society.

At Bureau Veritas, Corporate Social Responsibility is an integral part of our values.

Together, employees, clients and suppliers, let's be committed to our future.

**Aldo Cardoso**  
Chairman of the Board

**Didier Michaud-Daniel**  
Chief Executive Officer

The entire CSR report of Bureau Veritas may be consulted in its 2018 Registration Document.

## 3.2.2 Constantia Flexibles

### 3.2.2.1 Business model

Founded by Herbert Turnauer in the 1960s, the Vienna-based Constantia Flexibles group produces flexible packaging, primarily for the agri-food and pharmaceutical industries in two divisions: Consumer and Pharma. The Wendel Group is majority shareholder of Constantia Flexibles, with a 60.6% equity holding. Other shareholders are the Arepo Foundation, with a 27% holding, and Maxburg Capital Partners, with 11%.

Constantia Flexibles is the world's fourth largest producer of flexible packaging, with sales of roughly €1.5 billion in 2018. Based on the guiding principle of 'People, Passion, Packaging', some 8,300 employees located in 22 countries - including Headquarters and other offices - manufacture tailor-made packaging solutions at 39 production sites in 17 countries. Moreover, Constantia Flexibles has successfully developed its activity outside Europe and, over the last years, has become a global leader in flexible packaging. Many international companies and local market leaders from the food and pharma industries choose the innovative products of Constantia Flexibles, with their focus on preservation, promotion, protection and attractive to increase consumer demand for these products and ensure their safety.

Constantia Flexibles implemented its 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, Digitalization, Innovation, Manufacturing Optimization, Commercial Excellence and Cost Management.

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 continual improvements in the consumption of raw materials, which are essentially aluminum, plastics, paper, and chemicals like inks and solvents. In 2018, Constantia Flexibles committed that 100% of its packaging solutions will be recyclable by 2025 and has set an absolute GHG emission reduction target in accordance with climate science. Accordingly, Constantia Flexibles uses appropriate procedures to monitor the possible impact of its products on the environment, in particular by performing life cycle assessments.

Constantia Flexibles also places in all their operations health and safety of everybody who works for and with Constantia Flexibles to first priority, and takes pro-active measures to achieve its 'Zero loss - no harm' objective. It is understood, that it is a duty to create and maintain a safe and sustainable work environment as well.



**8,300**  
EMPLOYEES

**22**  
COUNTRIES

59% Europe    16% Asia  
10% America    14% Middle-East, Africa & Australia



**42**  
PATENTS  
all categories\*



**100%**  
of production sites certified on ISO 9001

Additional certificates:  
**ISO 14001, OHSAS 18001, BRC (British Retail Standard), ISO 15378** as appropriate

**MISSION**

“We are a leading global flexible packaging group, with a passion to provide our customers with superior solutions that improve people’s daily lives.”



**VALUES**

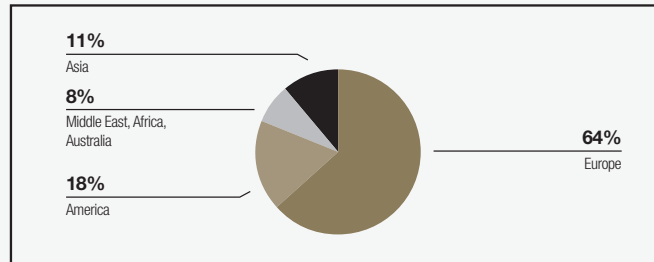
- Customers
- Society and Environment
- Growth
- Employees

Main material	Aluminum	Plastics	Chemicals	Paper
Share of all procurement (by purchase volume)	~40%	~30%	~20%	~7%
Supplier countries	Europe	Europe, Mexico, Turkey, India	Europe, Mexico, United States	Europe



<p><b>R &amp; D</b></p> <p>2 centers 75 experts</p>	<p><b>PRODUCTION</b></p> <p>39 manufacturing sites in 17 countries</p>	<p><b>MARKETS</b></p> <p>FOOD, HEALTHCARE, PHARMACEUTICALS</p> <p>SALES <b>€1.5bn</b></p>
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**SALES PER RÉGION**



**#2**  
IN EUROPE\*\*

**#4**  
GLOBALLY\*\*

DIVISIONS & PRODUCTS	Consumer (~78% of sales)	Pharma (~22% of sales)
	<ul style="list-style-type: none"> <li>Confectionery foil</li> <li>Die-cut lidding</li> <li>Alu-container systems</li> </ul>	<ul style="list-style-type: none"> <li>Blister lidding foils</li> <li>Coldform foils</li> </ul>

**COMMITMENT TO THE ENVIRONMENT**

**100%**  
OF ITS PACKAGING SOLUTIONS WILL BE RECYCLABLE BY 2025

TO REDUCE ABSOLUTE SCOPE 1, 2 AND 3 GHG EMISSIONS  
**24%**  
BY 2030  
From 2015 base-year

**INDUSTRY INITIATIVES FOR A SUSTAINABLE SECTOR**

- Aluminium Stewardship Initiative (ASI),
- A Circular Economy for Flexible Packaging (CEFLEX),
- New Plastics Economy (NPEC)

\* Foils: 20 patents (and 15 applications) - Film: 22 patent-families (at least 1 patent each)

\*\* Source of position: comparison of turnover of flexible packaging compared to other manufacturers’ annual statements

### 3.2.2.2 Highlights 2018

Constantia Flexibles' understands the value of initiatives supportive for sustainable improvements of its products as a great opportunity to accelerate success factors by building up for long-term relationships with our key stakeholders.

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

Following topics related to the respective area in the field of sustainable development could have been implemented, for which Constantia Flexibles would like to highlight their successful and effective implementation beside other comprehensive achievements during 2018:

- Environment:
  - Constantia Flexibles' largest plant Constantia Teich, located in Austria, has become the first aluminum foil roller and packaging converter and the first European company to be certified according to the Aluminum Stewardship Initiative's performance standard for environmental, social and governance performance,
  - Constantia Flexibles committed to reduce absolute Scope 1, 2 and 3 greenhouse gas (GHG) emissions 24% by 2030 and 49% by 2050 from a 2015 base-year, a target approved by the Science Based Targets initiative,
  - Constantia Flexibles pledged that 100% of its consumer and pharma packaging will be recyclable by 2025,
  - Constantia Flexibles improved its already strong CDP (Carbon Disclosure Project) climate score and supplier engagement score even further. Constantia Flexibles was rewarded with a very high CDP Climate Score Rating in 2018 (A-) and is among the 3% of companies evaluated that has been awarded a CDP Supplier Engagement Leader (A), holding a position on the third annual Supplier Engagement Rating leader Board;
- Health and safety:
  - Constantia Flexibles made another step on the road to achieve operational excellence with regard to health and safety: For the first time, the CF-Group HSSE Award was granted for solid long-term (safety-) performance. This very first annual HSSE Award was handed over to the Head of Plant of Constantia Teich Poland, where the last LTI (number of work accidents with work days lost) occurred in June 2015, being close to achieving 1,000 days without any accident. The Teich plant represents about 250 employees delivering an outstanding performance by putting "Safety first",
  - Two new Group Standards for HSSE were released within Constantia Flexibles Group and successfully implemented. The main objectives were met by HSSE-related communication and obvious signage for all relevant stakeholders visiting a plant. For example, globally standardized basic core rules like reverse parking, 'use the handrail' as well as the H & S-information Boards and their minimum content were implemented as a strong sign for supporting Safety awareness and its required attention,
  - A groupwide Safety Initiative on 'Electrical Pallet trucks' - including trainings material - was rolled out. The need for such certain minimum trainings for awareness-sessions on the shop floor derived from the analysis of accidents occurred. As a result, the number of Lost Time Injuries with pallet trucks could have been successfully minimized;
- Social Initiatives, in particular:
  - Constantia Cooking - Employees of Rivergate headquarters cook monthly for the homeless at VinziRast in Vienna since 2009,
  - START Austria - Constantia Flexibles is supporting 25 START students in Austria. The young people, who are coming from countries such as Afghanistan or Syria, are encouraged and supported to get the maximum out of their talents. This is achieved, among other things, by a secure stay in Austria, language support and trainings. The Company also offers site visits and a chance for one of the students to experience an apprenticeship,
  - in Turkey, the team at Constantia Flexibles' plant ASAŞ collected money by selling home-made cookies to colleagues, which was then donated to the charity LÖSEV, a non-profit NGO, which mainly aims to provide educational and emotional support, financial assistance and health services for children with leukemia or chronic blood disorders,
  - during the "Toy Day" at Aluprint in Mexico, employees donated toys, clothes and food to support families in need,
  - a solidarity Christmas lottery was set up at Constantia Tobepal in Spain. The total amount of money that was raised during the lottery was donated to a food bank;
  - the team of Constantia Teich-plant in Austria is supporting an ongoing initiative where underprivileged children from local schools obtain financial support for extracurricular activities. They are thus able to join their classmates in e.g. English lessons and sports activities.

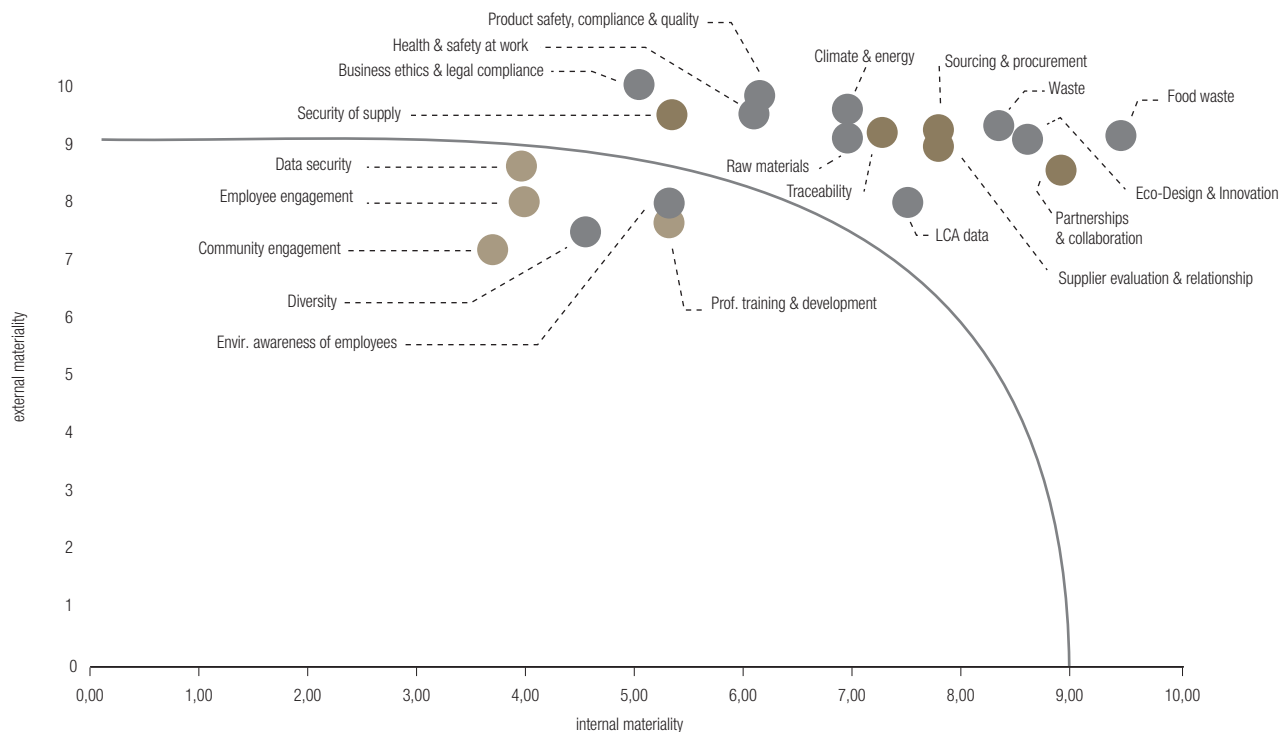
### 3.2.2.3 Materiality matrix

By developing a robust understanding of the non-financial aspects of their business, firms can better prevent or mitigate these risks. Constantia Flexibles reckons its selection of data in this report is a major challenge in adapting its CSR measures to the reporting principles of the Global Reporting Initiative (GRI). With respect to relations with its stakeholders, Constantia Flexibles combined an internal impact assessment with a broad stakeholder analysis in accordance with the AA1000 stakeholder engagement Standard. Stakeholders were requested to share their view (external materiality) on Constantia Flexibles' sustainability challenges (internal materiality) and to rate Constantia Flexibles' engagement in these areas using an online questionnaire developed together with specialized external experts.

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

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

Constantia Flexibles materiality matrix





### 3.2.2.4 Main Risks

Based on the comprehensive assessment of materiality and on the established internal risk and opportunity management system, Constantia Flexibles has defined the following material risks in the context of its business activities:

- GHG Emissions;
- Increased demand and regulation for sustainable packaging;
- Environmental, social and ethical risks in raw material sourcing;
- Shortage of skilled labor workers;
- Missing trainings and development activities;
- Work safety;
- Air pollution;
- Consumer health and safety.

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

#### 3.2.2.4.1 GHG Emissions

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

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

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

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

#### 3.2.2.4.1.1 Energy

Constantia Flexibles had a total energy consumption of 558,053 MWh, which is a 2% decrease compared to 2017. The table below shows the split of energy consumption by source.

Energy source	[%]
Electricity	48.7%
Natural gas	43.0%
LPG	3.2%
Steam	3.1%
Hot water	1.2%
Fuel oils	0.8%
Heating oil	0.1%

Constantia Flexibles works for a continuous improvement related to energy efficiency, for example through heat recovery from Regenerative Thermal Oxidizers (RTO). Moreover, several of the plants in Europe are verified against the ISO 50001 standard and therefore place special emphasis on reducing energy consumption.

It can be observed that in 2018 Constantia Flexibles had a total of 28 initiatives with environmental focus. 13 initiatives intended to reduce energy consumption have been implemented, among which 12 resulted in total savings of 7 GWh.

#### 3.2.2.4.1.2 Corporate Value Chain Accounting

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

The table below shows the overall Scope 1 and 2 and 3 GHG emissions of Constantia Flexibles for 2017 and 2018.

	Scope 1		Variation [%]	Scope 2		Variation [%]	Scope 3		Variation [%]
	2017	2018		2017	2018		2017	2018	
Kt CO <sub>2</sub> -equiv.	131.97	113.26	-14%	145.82	144.47	-1%	1,542.92	1,459.86	-5%

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

More than half of the company's emissions are occurring as a result of the electricity consumption (Scope 2). To address these emissions, Constantia Flexibles is in close contact with its electricity suppliers with the aim to increase the share of purchased electricity coming from renewable resources. In 2016 Constantia Flexibles has taken the step to switch to green electricity (produced 100% on hydro power) in several plants, covering 15% of the total electricity consumption in 2018.

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

In addition to the assessment of direct and indirect emissions 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. Aluminum and plastic raw material purchases represent over 83% of the company's Scope 3 emissions, therefore purchased goods used to manufacture Constantia Flexibles products are the most important element of Scope 3 emissions of the company. For Constantia Flexibles the total material Scope 3 emissions are a key factor in terms of achieving its corporate target. Since 2015 material Scope 3 emissions are thus tracked for each of Constantia Flexibles' plants. This enables the group to identify and analyze hotspots to initiate projects in direct contact with its suppliers, such as the Aluminum Stewardship Initiative, to decrease

Scope 3 emissions deriving from purchased raw materials. Constantia Flexibles therefore also engages with its suppliers to evaluate these emissions.

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

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

Constantia Flexibles commits to reduce absolute Scope 1, 2 and 3 GHG emissions 24% by 2030 and 49% by 2050 from a 2015 base-year. Targets adopted by companies to reduce GHG emissions are considered "science-based" if they are in line with the level of decarbonization required to keep global temperature increase below 2 degrees Celsius compared to pre- industrial temperatures. Setting this ambitions target in line with climate science demonstrates to customers and other stakeholders Constantia Flexibles' dedication to play its part in international efforts to limit global temperature rise and to continuously improve sustainability performance across the value chain.

The table below shows the progress towards Constantia Flexibles' SBTi-target.

Indicator	Baseline CO <sub>2</sub> e kt	2018 performance	2030 objective
Reducing CO <sub>2</sub> emissions by 24% until 2030 and 49% by 2050 (Scope 1, 2 and 3)	1,974	-13%	-24%

Furthermore, Constantia Flexibles shares key environmental data throughout the supply chains and collaborates with selected platforms/projects, such as CDP and EcoVadis. In 2018 Constantia Flexibles improved its already strong Carbon Disclosure Project (CDP) climate score and supplier engagement score even further. In recognition of both the high degree of transparency in climate change reporting and climate protection efforts, Constantia Flexibles was rewarded with a high CDP Climate Score Rating in 2018. Constantia Flexibles has received a score of A- which is within the Leadership band and is much higher than the sector average and the Europe regional average. CDP evaluates strategies, goals, and actual reductions in emissions annually, along with the transparency and verification of reported data. More than 7,000 companies worldwide responded to CDP questionnaires in 2018. This above average score demonstrates Constantia Flexibles' high level of environmental stewardship, and the company's actions and approaches in managing climate change. Constantia Flexibles also participated in CDP's supply chain program and was assessed against CDP's supplier engagement rating methodology in addition to the CDP climate scoring methodology. Of over 5,000 companies assessed, Constantia Flexibles is among the 3% that has been awarded a CDP Supplier Engagement Leader. CDP therefore awarded Constantia Flexibles a position on its third annual Supplier Engagement Rating leader Board. The leader Board comprises the companies that have been specifically recognized as leaders in their efforts and actions to manage carbon emissions and address climate-related issues across their supply chains in the past CDP-reporting year.

Constantia Flexibles is also a well-rated member of EcoVadis. EcoVadis aims at improving environmental and social practices of companies by leveraging the influence of global supply chains. EcoVadis operates the first collaborative platform providing Supplier Sustainability Ratings for global supply chains. Combining innovative information technologies and a shared service expertise on sustainable procurement topics, EcoVadis wants to help procurement organizations improve their practice, while reducing the costs of monitoring supplier sustainability. In 2018, Constantia Flexibles as a group has again received the gold CSR recognition level of EcoVadis, placing the company among the top 5 percent of all suppliers evaluated by EcoVadis.

#### 3.2.2.4.2 Increasing demand and regulation for sustainable packaging

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

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

##### 3.2.2.4.2.1 Circular Economy

As an active member participating in several innovative projects Constantia Flexibles understands the importance of plastic packaging design. It thus joined the New Plastics Economy initiative led by the Ellen MacArthur Foundation that seeks to build a system in which plastic waste would be eliminated. The ambitious vision underlying the initiative is part of the circular economy and has inspired several firms throughout the value chain, philanthropic organizations, cities and governments to take part. The initiative focuses on five interlinked and mutually reinforcing building blocks to create the conditions conducive to a system re-design: Dialogue mechanism, Global Plastics Protocol, Innovation projects, a database and outreach.

As a global flexible packaging producer for the consumer and pharma industry and a company being committed to sustainability from the very beginning, Constantia Flexibles recognizes the importance of supporting the development towards a circular economy for plastics. In 2018 Constantia Flexibles therefore pledged that 100% of its consumer and pharma packaging will be recyclable by 2025. Future product innovations will focus on the implementation of design guidelines to develop specifications which are recyclable - in practice and on a commercial scale. This pledge is part of Constantia Flexibles' commitment to the New Plastics Economy "Global Commitment", which unites many of the world's largest packaging producers, brands, retailers, recyclers, governments and NGOs and is underpinned by shared ambitions, definitions and a high degree of transparency, working on solutions that address the root causes of plastic waste and pollution. Constantia Flexibles believes that working side-by-side, businesses and governments can tackle plastic pollution at its source and is therefore proud to be among the 250 companies that have signed the Global Commitment. Signatories include companies representing 20% of all plastic packaging produced globally. The Global Commitment and its vision for a circular economy for plastic are supported by the World Wide Fund for Nature (WWF), and have been endorsed by the World Economic Forum, The Consumer Goods Forum as well as universities, institutions and academics.

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

To manage and achieve 100% recyclability until 2025, Constantia Flexibles will continuously evaluate the status in terms of recyclability of its product portfolio and track progress towards the goal. A comprehensive monitoring process for all specifications is in progress, including relevant procedures.

As the European Strategy for Plastics in a Circular Economy stipulates that all plastic packaging has to be recyclable by 2030, Constantia Flexibles supports the food industry to meet legal requirements by developing "Constantia ecolutions". And in doing, the company also helps to create products appealing to an ever increasing share of consumers caring for sustainability. As pledged in 2018 to offer recyclable solutions for the whole product portfolio until 2025, first projects were already realized with EcoLam (a pure PE (polyethylene) based solution which allows recycling in the PE waste stream). In 2020 the EcoLam+ (a barrier version of EcoLam) will be launched to provide the market with a more sustainable option for barrier laminates. Recent studies show as well that consumers prefer more sustainable options. With various products offered already today (EcoLam, EcoCover, EcoPouch, EcoTainerAlu) Constantia Flexibles is ready to enter into a new area of packaging.

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

As a member of international task forces, Constantia Flexibles participates in associations forums focused on the proactive management of risks linked to climate change. In particular, the company is a permanent member of Flexible Packaging Europe's Sustainability Committee and the European Aluminum Foil Association's Foil Sustainability Action Group, which are a constant source of ideas aimed at encouraging intercompany cooperation in defense of common interests.

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

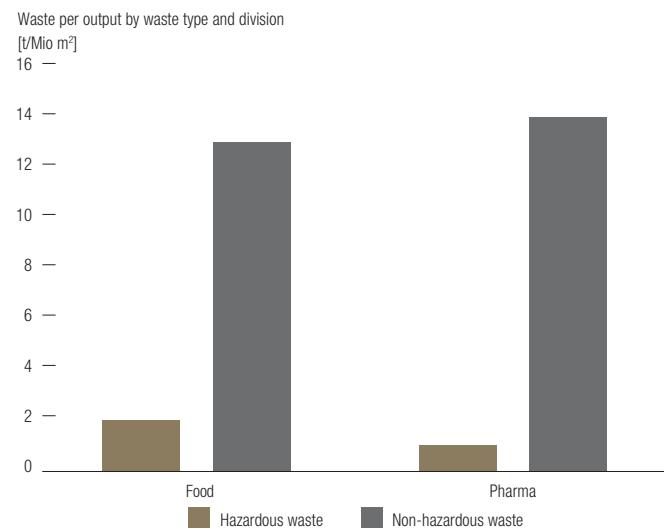
Constantia Flexibles also takes an active interest legislation regarding the European Commission's initiative on the development of Product Environmental Footprint Category Rules (PEFCR). Constantia Flexibles is helping to map the entire value chain for the purposes of these studies, allowing the categories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

### 3.2.2.4.2.2 Waste management

In accordance with a comprehensive understanding of circular economy challenges, Constantia Flexibles continuously monitors the achievement of implemented waste targets with waste management plans on plant level.

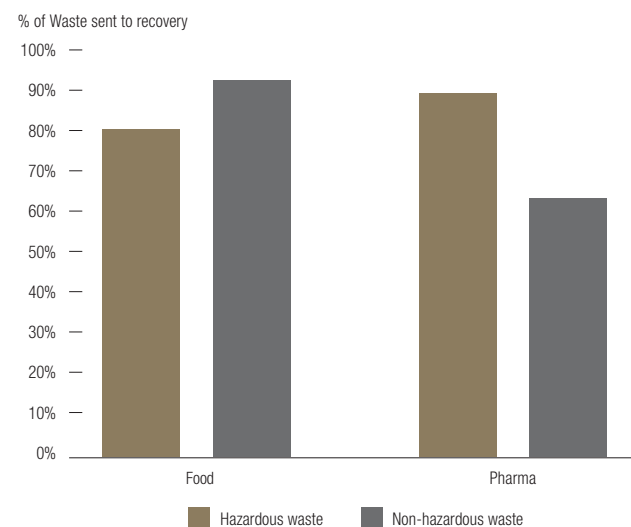
The total amount of waste at Constantia Flexibles' sites was 64,390 t in 2018, which is a 6% decrease compared to 2017. The graphic below shows Constantia Flexibles' waste accrual by division and category per output in 2018.

### Waste per output by waste type and division



In 2018, Constantia Flexibles sent 82% of the hazardous waste and 88% of the non-hazardous waste to recovery (recycling, composting and incineration with energy recovery). Compared to the previous year the recovery rates remained stable - in 2017 82% of the hazardous waste and 90% of the non-hazardous waste was sent to recovery. The chart below shows the breakdown of waste sent to recovery by waste type and division.

### Waste sent to recovery



#### 3.2.2.4.2.3 Life Cycle Assessments

Constantia Flexibles is conscious of its role and responsibility as part of the value chain and strives constantly toward making further improvements to its processes and products with regard to sustainability. Alongside the monitoring and development of relevant trends with the potential to improve the sustainability of its products on the market, support for internal (e.g. sales and product management teams).

The life cycle assessment (LCA) studies led by Constantia Flexibles in cooperation with associations are fundamental to the improvement of its ecological footprint. Constantia Flexibles has chosen 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. This peer-reviewed innovative LCA-meta-model enables Constantia Flexibles to provide customers and other stakeholders with information on the environmental footprint of products by allowing evaluation of production processes, raw material input, waste handling possibilities and country specific settings to a high level of detail.

By developing credible expertise in the field of product sustainability, Constantia Flexibles benefits from increased confidence of its while responding to expectations from end consumers and regulators. In addition, there is the possibility to gain a competitive advantage and to discover potential cost savings through product optimization.

#### 3.2.2.4.3 Environmental, social and ethical risks in raw material sourcing

Constantia Flexibles is aware of the main risks associated with its consumption of raw materials, which are essentially aluminum, plastics, paper, and chemicals like inks and solvents: risks of inefficiency, reputational damage, compliance costs, operational disruptions and resource depletion due to the environmental impact of the sourcing of raw materials.

Therefore, Constantia Flexibles sees collaboration throughout the value chain (e. g. in order to implement responsible sourcing certifications) as an important component of a comprehensive approach to sustainability. Constantia Flexibles is a founding member of initiatives such as the Aluminum Stewardship Initiative (ASI). The Aluminum 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 aluminum and responsible sourcing. In 2018, Constantia Flexibles' largest plant C. Teich has become the first aluminum foil roller and packaging converter and the first European company to be certified according to ASI's Performance Standard for environmental, social and governance performance. ASI Certification of the Teich facility signifies that Constantia Flexibles' practices meet the industry's highest standards.

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

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

Together with an external consultant a comprehensive supplier questionnaire was developed, and was rolled out to all main suppliers end of 2018. The goal of this assessment is to understand the status quo and maturity of suppliers in terms of climate-related topics and to carry out a supplier evaluation to identify top performers and weak spots. Generated supplier scorecards will indicate the maturity level of suppliers. This engagement was also recognized in Constantia Flexibles Supplier Engagement Rating by the Carbon Disclosure Project (CDP), where the company is among the 3% of the companies that has been awarded a CDP Supplier Engagement Leader (see section "GHG emissions").

#### 3.2.2.4.4 Shortage of skilled labor workers

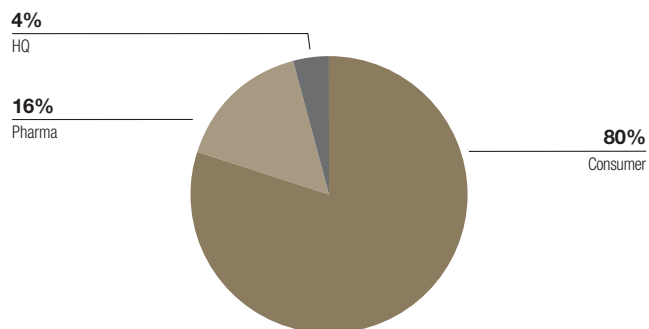
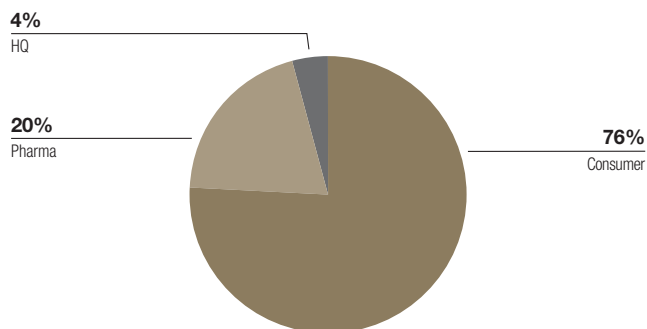
Motivated and well-trained employees are key to success for Constantia Flexibles. However, it is becoming increasingly difficult to find skilled labor workers, especially on shopfloor level.

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

The number of employees (HC) at the end of the fiscal year 2018 was 8,322 with the majority (80%) of employees working in Constantia Flexibles Consumer division. This equates to an increase of 1,283 employees (HC) compared to the previous year, which majorly was linked to the acquisition of Creative Polypack in India.

Headcount split per division at yearend 2017 and 2018

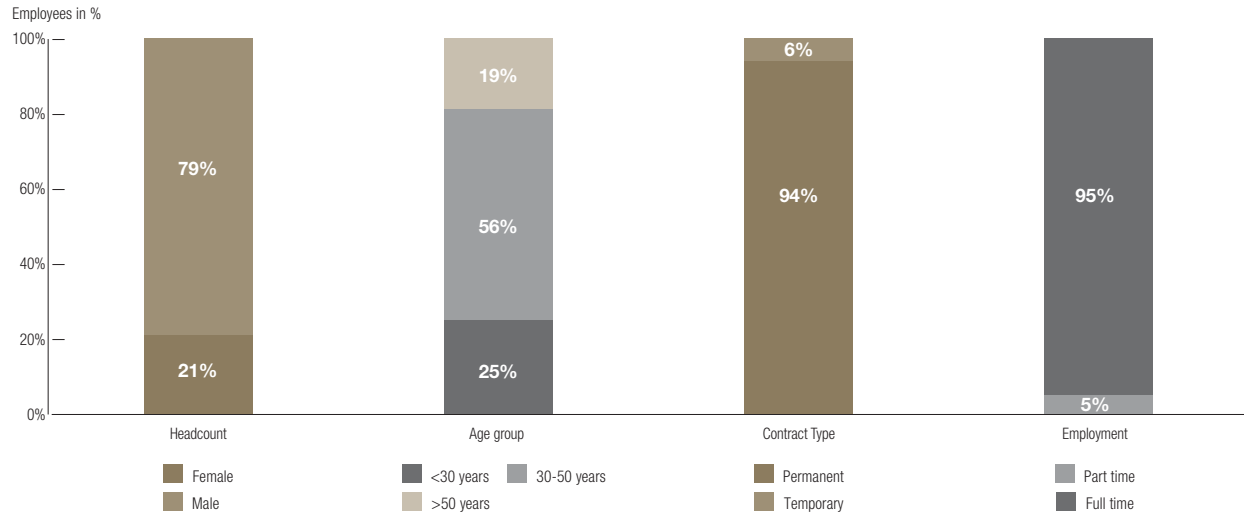
Division	2017		2018	
	Headcount	Headcount in %	Headcount	Headcount in %
Consumer	5,369	76%	6,613	80%
Pharma	1,378	20%	1,346	16%
HQ	292	4%	363	4%
<b>TOTAL</b>	<b>7,039</b>	<b>100%</b>	<b>8,322</b>	<b>100%</b>



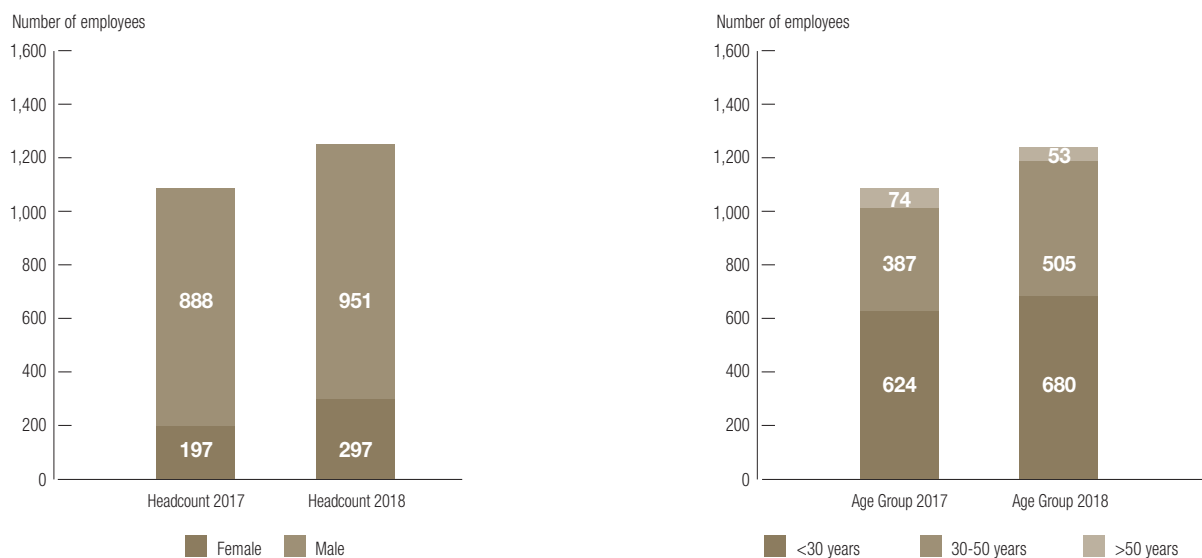
56% of Constantia Flexibles' employees are 30-50 years old. Its workforce is 21% female and 79% male. 95% of the employees of Constantia Flexibles are full-time employees and 94% have permanent employment contracts. Compared to 2017, there is no large variation in these proportions. In 2017, also 56% out of all

Constantia Flexibles' employees were between 30-50 years old, 22% of the total headcount were female and 78% were male employees. 94% of all employments were full-time and 93% of all employees had a permanent employment contract.

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

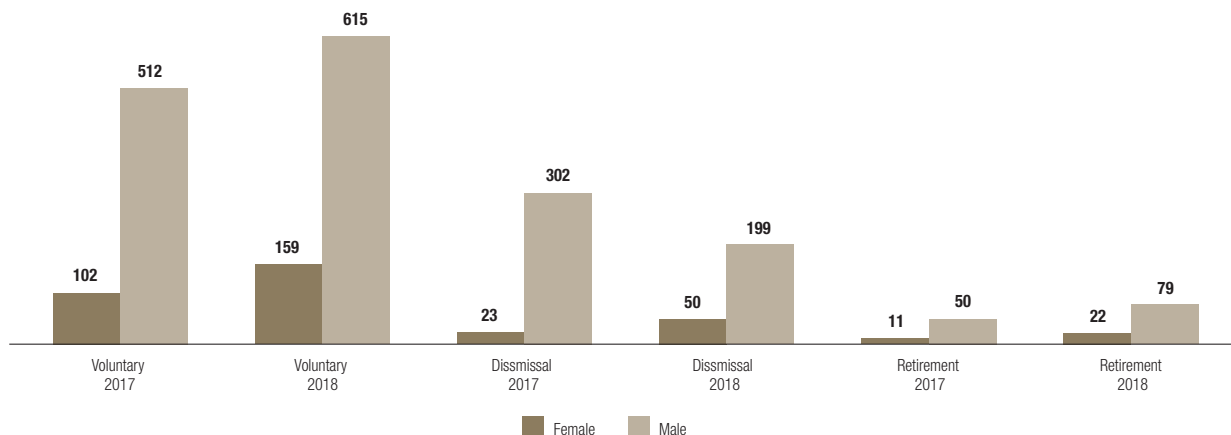


In 2018, a total of 297 female and 951 male employees was hired in Constantia Flexibles entities. Out of all new hires, 680 employees were less than 30 years, 505 employees were between 30 and 50 years and 63 employees were more than 50 years old. The following graph shows these numbers in comparison to the values of the previous reporting period:

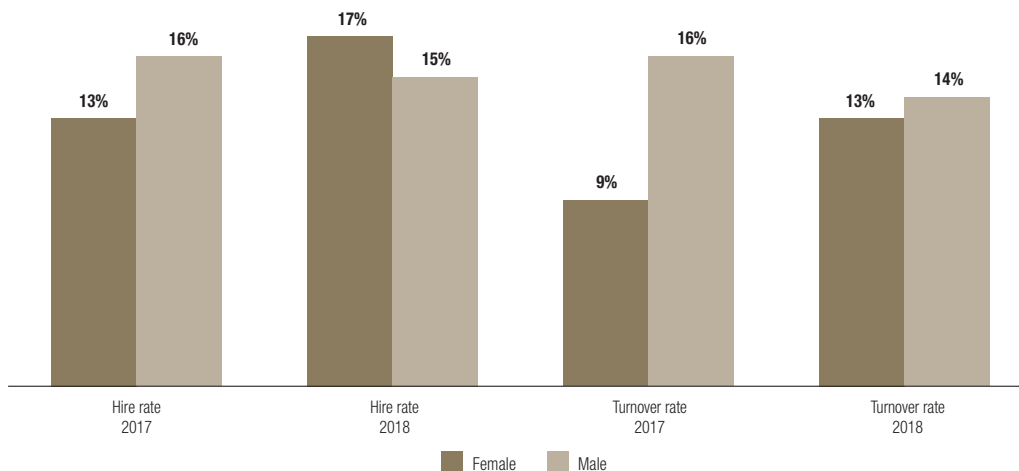




During the reporting period, 1,124 employees left Constantia Flexibles, whereas in the previous reporting period 1,000 employees left the company. The following graph shows the numbers split by gender and reasons of leaving:



In total, the hire rate for Constantia Flexibles in 2018 sums up to 15%, whereas the turnover rate amounts to 13.5%. In 2017, the hire rate was 15.4% and the turnover rate was 14.2%.



In order to mitigate the risk of a lack of skilled labour workers, Constantia Flexibles implemented a number of tools and initiatives. At Group level, Constantia Flexibles is fostering the exchange of employees between different entities and supporting the development of employees. Moreover, job postings are published

on the intranet and shared within the company's HR community. For improving the recruiting process for both Constantia Flexibles HR staff and external applicants, a global recruiting solution is currently being implemented. This tool will help to publish all vacant positions online and to set up a global talent pool.

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

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

Around 2.4% of Constantia Flexibles' workforce are employees with disabilities.

#### 3.2.2.4.5 Missing trainings and development activities

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

In order to address this risk, Constantia Flexibles is offering a large variety of development and training activities, based on a tailored Constantia Flexibles competency model for senior and middle management as well as professionals.

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

Flexibles is increasingly offering interactive online modules in order to reach employees. Constantia Flexibles refreshes its range of trainings with focus on communication, efficiency at work and leadership skills to support employees in their career development and employability on an annual basis. The structured annual talks for all employees along with succession planning at senior managerial level are also integrated in the training plan.

To support these efforts the "Constantia University", a dynamic and interactive web-based learning management platform was set up. The platform integrates new learning pathways, utilizing online training opportunities, video-based learning materials as well as virtual training. The Constantia University is also the platform for the ongoing development initiatives such as "Executive Leadership Program" and "Constantia Flexibles Sales Academy". These initiatives aim to train Constantia Flexibles senior and middle managers and sales staff on the Constantia Flexibles Leadership and Sales approach respectively. Moreover, two new development initiatives, "Operational Excellence Center" and "Finance Academy" were recently added to the training and development modules as well.

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

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

	Total number of annual training hours	Average annual training hours per FTE	Number of employees trained for min. 1 day	Share of employees trained for min. 1 day
2017	63,145	9.01	3,496	49.67%
2018	137,999	17.51	5,123	61.56%

#### 3.2.2.4.6 Hazardous working conditions

Several manufacturing processes used to produce flexible packaging within Constantia Flexibles still require the use of hazardous substances, for example solvents in printing inks which are flammable liquids with the potential to harm peoples' health and safety and the environment.

Although Constantia Flexibles applies best practices in operations and high-tech technology is provided for machinery- and other production equipment, the inherent operational risks related to occupational health and safety for people who work with and for the company is understood to be properly addressed: It is the responsibility of Constantia Flexibles to ensure the implementation of appropriate measures to address this risk.

"Safety of people at work" could be put at risk by several factors, which potentially could be triggered by non-compliance with procedures, e.g. by not wearing required and provided personal protective equipment (PPE) or not following the trained work-instructions. Moreover, only sufficient and completed instruction-trainings result in appropriate knowledge and awareness where leased personnel and temporary employees could be exposed to this risk. Specifically contractors will be exposed to additional risks as their core deliverables to be fulfilled according contracts, which often includes non-routine work. Constantia Flexibles takes into account the risks at work related to distraction and psychological and physical stress (for example, for people who are often travelling for business and provides a broad range of counter-measures: appropriate behavioral-based trainings, operations-personnel on the shop floor to awareness-campaigns are provided, etc.

Thus, based on the Group HSSE Policy (health, safety, security and environment) rolled out in early 2017 and the Corporate Risk & Opportunity Management-tool, which considers H & S-related risks beside other major potentials like undesired weather conditions or even their implications, which could harm people, describe several types of counter-measures to mitigate the described risks following eliminating them in best case rather than only minimizing them.

Constantia Flexibles works constantly on improvements related to "Working conditions" around the machinery and tools used by reducing the risks attached to workplace ergonomics, e.g. by exposure to solvents and their vapours, facing noise (>80 dB(A)) or repetitive motion which finally could result in occupational diseases by long-term exposures of work-force. Constantia Flexibles has increased its investments in new machines, additional equipment, improvements of technical building-features already within the last years. Thus, in 2018 no case of occupational disease was reported in Constantia Flexibles globally.

At the Group-level, Constantia Flexibles compiles several data and figures from all global production sites to investigate potential correlations of the accidents' circumstances and results. These figures - handed in on monthly basis by all 31 operational production in scope for reporting to Group HSSE by end of 2018, are subsequently summarized, verified and checked. These reports reflect the safety performance per division and cascaded into their divisional clusters on monthly basis. However, beside key learnings from certain Lost Time Injuries occurred, related corrective and preventive measures are shared to mitigate this risk of potential re-occurrence at other similar workplaces in Constantia Flexibles Group.

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

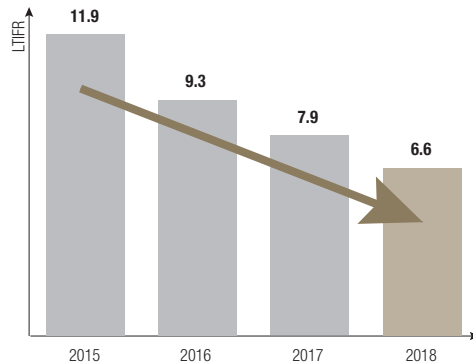
To improve its performance in this area, and at the request of Wendel, its shareholder, in 2017 Constantia Flexibles introduced a bonus for reaching health and safety targets. The measure concerns operational managers and the Executive Committee. These bonuses are indexed on pro-active goals and initiatives to highlight their commitment and contribution of the teams in charge. Constantia Flexibles does not wish to set targets based on 'Number of Lost Time Injuries' or the Lost Time Injury Frequency Rate (LTIFR) but rather to work on the causes of accidents. Nevertheless, the overall Safety-performance of the Group improved significantly by nearly -50% in terms of LTIFR since Wendel became majority shareholder of Constantia Flexibles.

## Constantia Flexibles Group

<b>Occupational health and safety Data</b>	<b>2017</b>	<b>2018</b>
<b>Number of Lost Time Injuries</b>	<b>117</b>	<b>94</b>
Division Consumer	93	79
Division Pharma	23	15
Offices	1	0
<b>Lost Time Injury Frequency Rate (LTIFR)</b>	<b>7.9</b>	<b>6.6</b>
Division Consumer	7.8	7.0
Division Pharma	9.7	6.1
Offices	2.2	0.0

*LTIFR = Lost Time Injury Frequency Rate = number of Lost Time Injuries (LTI) per 1 million hours worked  
For comparability reasons, 2015 and 2016 do not include "Labels-division", which was sold during 2017.*

## Key Performance Indicator annually published: the Lost Time Injury Frequency Rate



LTIFR = Lost Time Injury Frequency Rate = Number of Lost Time Injuries (LTI) per 1 million hours worked.  
For comparability reasons, 2015 and 2016 do not include "Labels-division", which was sold during 2017.

Several local H & S-initiatives - according the production site's needs - were implemented, which do contribute to Safety for people as well as to the status of working conditions. But for certain Cluster-related plants or even within the whole division "Consumer" specific focus was put on the introduction and implementation of proper near miss-reporting in light of and in combination with the existing continuous improvement process (CIP) during 2018. Learnings from such events are seen as being crucial for avoiding injury to other people and need to be immediately translated into prevention measures.

Constantia Flexibles collected, via a centralized tool the number and kind of initiatives for health and safety. They were implemented in its operating plants, where individuals are exposed to the hazards attached to its day-to-day manufacturing of flexible packaging.

During 2018, again the average number of H & S-Initiatives per plant could have been increased to 7 initiatives on average per production site implemented throughout Constantia Flexibles globally. This perspective highlights again the pursuing efforts of Constantia Flexibles Group to improve.

These efforts allow Constantia Flexibles to improve its safety performance and further its reputation as "preferred employer".

Although occupational health and safety matters basically require several kinds of resources to be spent, for example for trainings, workplace-introductions as well as purchase of additional equipment or machinery-upgrades, the "return on investment" could hardly be directly measured. But several KPIs and especially their reduction reflect the importance of consecutive investments for improvements Constantia Flexibles undertakes worldwide.

### 3.2.2.4.7 Environmental, health and regulatory risks related to the emission of air pollutants, due to the use of solvents

Constantia Flexibles is aware of the risk of air pollution and the impact of VOC emissions on the environment. These emissions are originated in plants from the usage of solvents, which is part of the printing process.

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

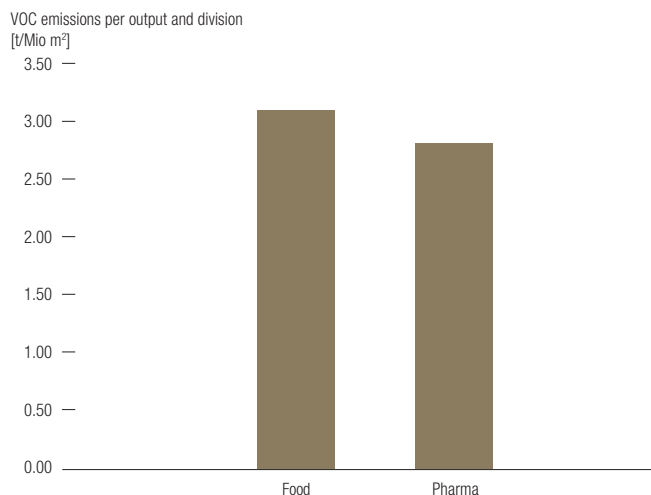
- solvent recovery;
- Regenerative Thermal Oxidizers (RTO); and
- organic solvent-free technologies.

In this context the company has installed RTO facilities in several plants to recover heat energy, consequently reducing the VOC emissions. More than 50% of the plants, representing more than 80% of the total output, 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 €3 million for implementation in these technologies at its manufacturing site in Wangen, Germany. The old machines are no longer used and solvent use was completely eliminated from 2018 onwards. The investment effort continued in 2018.

The graph below shows the breakdown VOC emissions per product output and division. Total VOC emissions and VOC emissions per output have remained stable and show little variation to the previous year. Absolute VOC emissions decreased by 0.2%, while VOC emissions per output increased by 0.2% compared to 2017.

### VOC Emissions per output and division



#### 3.2.2.4.8 Permanent innovation in support of consumer health and safety

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

To ensure consumer health and safety, Constantia Flexibles complies with all food and pharma packaging regulations applicable in the respective jurisdictions in which has a presence. In the two competence centers of the group, analytical Research & Development experts are supported by state of the art analytics and laboratory tests to investigate the safety and compliance of products and set harmonized requirements and procedures to ensure compliance. In particular tests related to the supplementation of chemical-analytical capacity with a focus on food contact laws and regulations (e.g. migration & compliance testing). After final approval (by the customer) and confirmed acceptance tests, these products are manufactured under GMP (Good Manufacturing Practice), ISO- and other standards according the respective needs (e.g. BRC British Retail Consortium). Constantia Flexibles also implemented more detailed group- and local-/plant-related internal procedures in terms of ISO9001/Quality Management are in place. All of Constantia Flexibles' plants are ISO9001 certified.

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

Constantia also launched a "Stop Fake Drugs" campaign to increase public awareness.

Regarding medication packaging, Constantia Flexibles integrates the requirements of safety or children and seniors by developing a child-resistant lidding foil. Constantia Child Resistant is available in four different applications: Peel & Push, Peelable, Bend & Tear, and Push Through. All options provide comprehensive protection against moisture, oxygen, and light. They can be customized to meet country-specific regulations.

Constantia Flexibles has a sizeable number of patents and patent applications, illustrating its strong competitive technological status to ensure consumer health and safety.

#### 3.2.2.4.9 Reporting scope & methodology

The reporting scope considers all legal entities including 39 production sites in 17 countries and several office-based locations (e.g. Headquarters, Sales-offices, Holding locations) worldwide which were part of Constantia Flexibles Group in 2018.

Correspondingly, all legal entities and office-locations of Constantia Flexibles Group (in 22 countries) were fully considered for HR-related reporting, whereas following exclusions apply:

- One production-facility from Afripack Group located in Kenya had to be excluded (for all sections) compared to 2017 due to the closure of operations and its minority stake in the portfolio of Constantia Flexibles Group;
- Newly acquired subsidiaries are not part of the reporting-scope for 2018, except for "Social"/HR-related indicators. Therefore the latest acquisition of "Creative Polypack" and its 8 production facilities are only included in all HR-related indicators:
  - the scope of environmental reporting includes 31 production-facilities in 17 countries (office-locations are not considered), and
  - For H & S-related reporting, major office locations like headquarters of Constantia Flexibles as well as all three offices of Constantia Business Services are fully considered beside all 31 production-sites.

## Social

### Employment

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

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

### Health and Safety

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

## Environment

### Energy

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

### Scope 1,2 and 3

The CO<sub>2</sub> emissions calculation is based on Scope 1, Scope 2 and Scope 3 as defined by the Greenhouse Gas Protocol Initiative (Corporate Value Chain Accounting and Reporting Standard). The standard provides requirements and guidance for companies and other organizations to prepare and publicly report a GHG-emissions inventory.

### VOC Emissions

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

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

### 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.

## 3.2.2.5 Vigilance plan

### 3.2.2.1.5.1 Risk mapping

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

- Human Rights and Fundamental freedoms; and of
- Harm to human health and safety (including end-consumers), and to the environment.

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

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

### Risks related to Constantia Flexibles' own operations

The detailed identification, analysis and assessment of risks was built up on the related countries where Constantia Flexibles operates their own production facilities. These countries are related to the region "EU-countries", where 18 of all Constantia Flexibles' production-units are located whereas the Group operates another 21 plants in countries outside the European Union like Russian Federation (1), Turkey (1), Vietnam (1), India (9), South Africa (6), the United States (2) and Mexico (1) (the pure country-ratings derived from published information of ILO, etc.)

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

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

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

#### **Risks related to the environment**

Constantia Flexibles identified the risk of "Air pollution" and "The emissions of greenhouse gases (GHG)" as main risks, beside dealing with the topics and related risks of other environmental issues such as air and soil pollution, inadequate waste management, etc.

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

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

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

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

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

Constantia Flexibles, being a manufacturer of flexible packaging by operating in 18 countries worldwide, clearly commits to the compliance with internationally recognized human rights. The categories in which Constantia Flexibles assessed the related residual risks like :

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

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

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

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

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

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

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

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

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

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

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

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

### 3.2.2.5.2 Regular assessment procedures and mitigation measures

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

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

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

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

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

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

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

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

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

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

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

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

Further group departments such as Operations Development and Global Operations ensure the constant implementation of technical improvements which consider technical safety (for example, in the field of fire protection).



**Risks related to the environment**

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

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

In addition to the assessment of direct and indirect emissions 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. Purchased goods used to manufacture Constantia Flexibles products represent the most important element of Scope 3 emissions of the company. Constantia Flexibles therefore sees collaboration throughout the value chain (e. g. in order to implement responsible sourcing certifications) as an important component of a comprehensive approach to sustainability.

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

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

development of robust design guidelines for both flexible packaging and the infrastructure to collect, sort and recycle them.

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

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

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

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

- 1 Forced labor;
- 2 Child labor;
- 3 Non respect of freedom of association and collective bargaining (incl. the right to join and form unions and to strike);
- 4 Non equal opportunities and discrimination;
- 5 Non respect of indigenous population rights;
- 6 Non respect of international labor standards on migrant workers;
- 7 Risk of withholding identification documents;
- 8 Non respect of data privacy;
- 9 Excessive working hours;
- 10 Unfair wages;
- 11 Inadequate social benefits and social security;
- 12 Harassment and abuse/disciplinary practices.

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

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

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

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

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

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

- The potential risks related to "Human Rights and Fundamental freedoms", "health and safety" as well as "Environment" are effectively covered by the binding CSR-related purchasing charter named "Code of Conduct for Suppliers", for which Constantia Flexibles insists on to be signed by them for accepting the contract.
- Integration of mandatory minimum requirements of CSR-terms and conditions included in the contracts and purchase orders.
- Furthermore, group procurement performs supplier-audits at their production-sites and request them to fill a self-assessment form named "pre-audit questionnaire".

#### **3.2.2.5.3 Alert mechanism**

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

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

Covering as well the French law "Sapin 2" on corruption and anti-bribery aspects, Constantia Flexibles provides a description of this whistleblowing system made available through the intranet. Especially via the "Code of Conduct for Suppliers" Constantia Flexibles ensures this information to be forwarded to their employees and other contractors.

#### **3.2.2.5.4. Monitoring system of implemented measures and assessment of their effectiveness**

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

Trainings and awareness-raising campaigns were identified by Constantia Flexibles as useful tools. For example, with regard to the document seen as a basement for the "Duty of Care"-framework,

which is the Code of Conduct, Constantia Flexibles provides annual web-based trainings about the requirements including a (anonymous) test which needs to be passed (80% correct answers) to finish the online-training session.

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

- group Procurement conducts supplier audits on site based on defined criteria and performs recurring internal risk-assessments on the defined purchase-categories Aluminum, chemicals, films, etc.
- the group Sustainability-team collects and monitors all key environmental indicators for Constantia Flexibles and tracks the performance throughout the group;
- the group wide consolidation platform used as database provides and includes consistency checks and requests to upload evidence documents for reported data from the operating units;
- the department Group Human Resources as well as other disciplines like HSSE (health and safety) benefit from the participation of several operating units in SEDEX, which is one of the world's largest collaborative platforms for sharing responsible sourcing data on supply chains, used by more than 50,000 members in over 150 countries. Third-party auditing companies perform so-called SMETA (Sedex Members Ethical Trade Audit) at the production-sites on behalf of SEDEX, which are set up as 4 pillar audits covering Labour Standards, health and safety, Business Ethics and the Environment;
- the department group HSSE (health and safety) implements group standards to fulfil the targeted management system based on the Constantia Flexibles vision of ZERO LOSS - NO HARM. Moreover, the group wide KPIs-set to be monitored on monthly basis include as well the opportunity of sharing lessons we have learned via events (accidents like Lost Time Injuries (LTI)), detailed audits on site and cross-checks with observations and findings identified by the department Group Internal Audit on site. This department provides an internal self-assessment matrix which needs to be filled by the operating units and performs frequent site-visits as part of the activities for ensuring internal compliance to the standards of Constantia Flexibles, which is the Code of Conduct and its elements considering Human rights, health and safety and environmental aspects.

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

### 3.2.3 Cromology

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#### 3.2.3.1 Cromology business model

Cromology is a European decorative paints company. Cromology designs and manufactures high-end decorative paints for professionals and individuals and has a direct presence in 10 countries, mostly in Europe.

With nearly 3,700 staff, 8 research laboratories, 10 manufacturing sites and 9 logistics platforms, 405 integrated points of sale and over 8,500 partner points of sale (independent retailers and major DIY stores), Cromology records net sales of 665 million Euros.

**Mission:** to protect and enhance living spaces by elevating the technical and artistic know-how of our professional and individual clients, making a long-term contribution to the well-being of all.

**Outlook:** thanks to a premium customer experience, high product quality and a digital multi-channel approach to the market, Cromology's ambition is to increase market share and consolidate its position in the decorative paints sector, particularly in Europe.

**Strategy:** two growth drivers

- organic growth *via* an increase in Digital Distribution and the Average Spend, and a shift to a more efficient, more digital business;
- acquisitions, through geographic expansion, extended distribution and strengthening the product offering.

**3,650 EMPLOYEES**

in

**8 COUNTRIES**

**68.7%** France    **22.4%** Southern Europe    **8.9%** Other countries

**100%** of industrial sites are **OHSAS 18 001** certified

**25%** of sales generated from products developed in the last 3 years

**70%** of industrial and logistics sites are **ISO 14 001** certified

**90%** of the product portfolio is water-based

**65%** of product sales have been developed within the last three years using eco-friendly products

**MISSION**

**“Protect and enhance living and work spaces”**

**VALUES**

- Security
- Excellence
- Respect
- Customer satisfaction
- Imagination
- Teamwork
- Simplicity

**CUSTOMER RELATIONSHIPS**

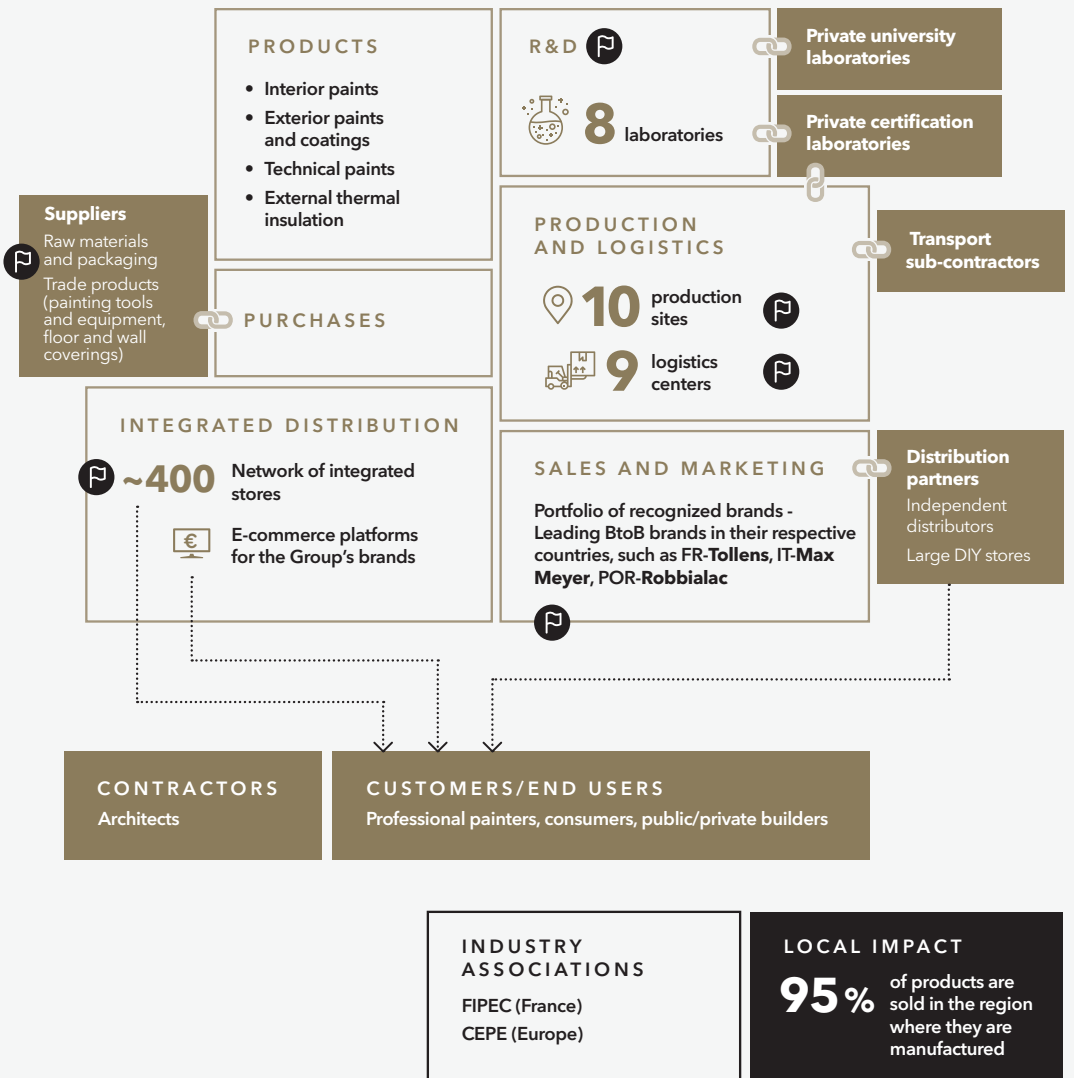
- Customer loyalty
- Aspirations (end customers)
- Technical know-how
- High Quality

**PRODUCT SALES**

**€ 665m**

**COST STRUCTURE**

- Production sites
- R&D
- Raw Materials
- Industrial facilities
- Employees
- Integrated stores
- Other investments
- Adjustment items



**KEY**    **Ⓕ** Key resources    **Ⓛ** Key partners    **----->** Sales flows (Cromology-manufactured products)

Given its manufacturing and, in some countries, distributing activities, Cromology manages a wide range of divisions with employees spread across a large number of geographical locations.

Cromology has 3,647 employees across eight countries, broken down as follows:

France (+ Belgium, Luxembourg) 68.7%

Southern Europe (Spain, Italy, Portugal) 22.4%

Rest of the World (Morocco, Switzerland) 8.9%

### 3.2.3.2 Commitments for a responsible enterprise

#### 3.2.3.2.1 General policy

Cromology's aim, in the long run, is to combine economic performance with excellence through its "CORE, Commitment for 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 the environment and users;
- optimizing the use of resources in products and processes;
- limiting the impact on the environment;
- strengthening the environmental management system;
- acting for and with employees;
- strengthening our presence in the local community.

Cromology's seven values<sup>(1)</sup>, defined at the end of 2014, are its fundamental principles. These guide the initiatives, decisions, choices and day-to-day conduct of Cromology's people. These values are:

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

#### 3.2.3.2.2 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 highlight their technical and aesthetic know-how, thus contributing in a lasting way to everyone's comfort and well-being.

This conviction means that, as a developer, manufacturer and distributor of decorative paints, we are conscious of our responsibility to everyone—internal and external—who works toward Cromology's sustainable and responsible growth.

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

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

Cromology also conducts voluntary research and development to find ways of looking after its customers and their environment with more responsible products that wherever possible go above and beyond the regulatory framework. For example, in 2018 new products with an environmental label accounted for 64% of total sales. As part of product innovation Cromology systematically considers whether to eco-certify its new paints or make new products to meet the needs of customers in a given country - or to anticipate those needs, as was the case with its pollution-removing interior paint in Southern Europe.

Cromology also affirms its commitment as a corporate citizen mindful of the impact of the work done in its research laboratories, manufacturing sites and logistics platforms by seeking industry certifications. 100% of its industrial facilities are certified OHSAS 18001 (occupational health and safety) while 70% are certified ISO 9001 (quality) and ISO 14001 (the environment). More broadly, Cromology aims to obtain triple quality, health and safety and environmental certification for all its activities. It achieved this in France in 2018 with the triple certification of all of its manufacturing activities, including support functions such as procurement, technical assistance, accounting, finance and human resources.

Responsible development: we live it every day, and I am convinced that by respecting Cromology's CSR commitments in each of our business lines, we serve all our stakeholders."

Loïc Derrien

CEO of Cromology

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

### 3.2.3.2.3 CSR Governance

In 2015, Cromology formed a CSR Steering Committee. It is composed of the Heads of the Supply Chain, R & D, HR, QSE and Communications departments, 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, with CSR managers.

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

For example, Zolpan, one of Cromology's French subsidiaries, has its own CSR approach. Consequently, during 2017, a leading independent body 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.

### 3.2.3.3 Methodology

#### 3.2.3.3.1 NFS Methodology

To identify the main non-financial risks relating to its activity, Cromology has listed all of the risks associated with various non-financial topics. This list was established i) by taking into account a risk assessment conducted as part of the procedures required to obtain and renew the ISO 9 001<sup>(1)</sup>, ISO 14 001<sup>(1)</sup> and OHSAS 18 001<sup>(1)</sup> standards, ii) in the context of the on-going analysis of regulations on the chemicals used in paint manufacturing, iii) by taking into account feedback from the non-financial audits carried out by major DIY distribution customers in relation to its operations, and iv) by studying the practices adopted by companies in the distribution and chemicals industries.

A ratings system then enabled these to be ranked and the key risks to be identified. The list of non-financial risks was analyzed by external consultants on the basis of industry and international frameworks, in order to ensure its relevance and consistency.

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

The CSR Steering Committee met four times to draw up and approve the list of 13 risks and the business model.

The 13 key risks identified, validated in January 2019 by the Group's Executive Management, are, by sector:

- Human resources:
  - risks related to absenteeism,
  - risks linked to service quality and commercial performance;
- Health and safety:
  - risks linked to personal safety,
  - risks related to industrial processes and the use of points of sale;
- Environment:
  - risks associated with water and soil contamination or with the contamination of water and soil with ecotoxins,
  - environmental and health and safety risks associated with the release into the air of toxic (VOC) or carcinogenic substances,
  - risks associated with the hazardous waste generated by the business;
- Supply chain:
  - suppliers' Environmental and Health and Safety risks,
  - risks associated with the transportation of hazardous products;
- Innovation:
  - regulatory risk associated with raw materials,
  - risks associated with products not being in line with market needs;
- Societal:
  - risks associated with the handling of personal data;
- Corruption:
  - risks associated with employee corruption (Sapin 2 law).

#### **The prevention of food insecurity, respect for animal welfare, responsible, fair and sustainable food production and the prevention of food waste:**

Given the nature of its business (industrial paints), Cromology considers that these points do not constitute a major CSR risk and that therefore no further details are required in this management report.

(1) The ISO 9001, 14001 and OHSAS 18001 standards provide models to be followed for the implementation and use of a management system and to thereby guarantee:

ISO 9001, that products and services are at all times in line with customer demand and with a view to uninterrupted quality;

ISO 14001, that all organizational processes and activities with an impact on the environment are controlled and;

OHSAS 18001, that health and safety in the workplace is guaranteed, in the context of continuous improvements.

### 3.2.3.3.2 Methodology used to obtain monitoring indicators

#### 3.2.3.3.2.1 Scope and consolidation methods for key indicators

The key indicators in this report were selected from across all subsidiaries consolidated in Cromology's financial statements. Cromology's scope includes 10 industrial sites.

For each indicator, the detailed calculation methods are defined in the chapter "Reporting methodology" below. Where measured data is not available, each entity produces estimates. Data are collected using report files validated by Cromology.

#### 3.2.3.3.2.2 Responsibilities and checks

The Group's Human Resources department collects and consolidates the HR data, ensures that it is consistent, and validates it. It is the responsibility of Cromology's human resources community to produce this data in each subsidiary.

Cromology's QSE Department consolidates safety and environmental data and performs consistency checks.

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

Monitoring indicators for products launched within the last three years and the percentage of net sales of new products with environmental certification of all products launched within the last three years are produced by the Marketing Departments of each subsidiary. This data is consolidated and checked for consistency by the Group Marketing department.

The monitoring indicator for the number of raw materials (including regulated raw materials) used in the formulations of the paints manufactured by Cromology is produced by the Group R & D department.

The indicator for the volume of use of formulas containing regulated raw materials such as SVHC, CMR (1 and 2) per metric ton is produced by the Group R & D department.

The indicator relating to the "% of recycled plastic in packaging used for products sold by Cromology" is monitored by the Group's Industrial Procurement department. This is produced by the supplier.

Each Cromology subsidiary is responsible for the indicators it collects and monitors.

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

### 3.2.3.3.3 Reporting methodology

#### 3.2.3.3.3.1 Methodological details and limitations

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.

#### 3.2.3.3.3.2 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. 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 traveling are included in these indicators when they occur during working hours. Accidents while commuting between home and work are not included.

##### Lost-time accident severity rate

The lost-time accident severity rate is the number of days of working time lost over a 12-month period following a work-related accident, per 1,000 hours worked. It is reported for all Cromology Group subsidiaries.

#### 3.2.3.3.3.3 Environmental indicators

##### Energy consumption

Energy consumption includes the consumption of energy for production activities and distribution networks. It does not include the consumption of energy associated with employee transportation. It is reported for all Cromology subsidiaries.

##### Water consumption & usage

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

##### Waste levels

This involves assessing the quantity of waste generated as a % per kilo of product manufactured. This rate does not include any exceptional waste, such as waste generated by the removal of asbestos from buildings. Network waste, hazardous or non-hazardous, is included. For the latter, these figures are estimates.

**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):

- VOC (in metric tons) in raw materials ("input 1 VOCs"): these VOCs are calculated on the basis of VOC content (in %) and the quantity of each raw material consumed (in metric tons);
- VOC (in metric tons) in finished products ("output 2 VOCs"): these VOCs are calculated from the average VOC content of a paint formulation. This average VOC content value is calculated on the basis of the VOC content of 10-15 formulations representing at least 50% of the total tonnage produced by the site under consideration. The calculation is weighted by the tonnage of each formulation produced, giving the average VOC content that is then applied to all tonnage produced;
- VOC in waste ("output 3 VOC"): these VOCs are calculated by applying either the average VOC content in the raw materials, or the average VOC content of the finished product to the solvent-laden waste (in metric tons), depending on the type of waste;
- "Diffuse VOC" is calculated as value of (1) - value of (2) - value of (3).

**3.2.3.3.4 Employee-related indicators****Total workforce**

The total workforce is the number of employees with a permanent or fixed-term contract on the last calendar day of the year. Trainees and PhD students are not counted. Workforce data is reported in number of people and not full-time equivalents.

**Hires & departures**

New hires on permanent contracts and fixed-term contracts made permanent and new hires via company takeovers are counted as new hires. Departures relate solely to permanent contracts for departures at the initiative of the employee or the employer or retirement, or for company disposals, or deaths. Internal transfers between Group companies are recognized at the group level.

**Absenteeism 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 days in the year (365\* for both fixed-term and permanent contracts). Absences include absences due to sickness, unauthorized unpaid leave, and lost time due to work-related accidents and commuting accidents. Other types of absences, in particular long-term leave of more than three years, are not included in calculating the absentee rate.

The absentee rate for employees on permanent and short-term fixed-term contracts is monitored by the HR department within each subsidiary. It is not consolidated at Group level. It is calculated by dividing the number of working days of absence of less than 6 days by the number of calendar days in the year (365\* for both fixed-term and permanent contracts). The types of absences included/excluded are identical to the absenteeism 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.

**3.2.3.3.5 Vacant business segment**

This relates to a geographic area covered by a traveling sales position which is unfilled or about to become unfilled, for which candidates are being actively sought.

**3.2.3.4 Human resources****3.2.3.4.1 Organization**

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

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, disseminates and checks key HR processes such as recruitment and annual appraisals, and ensures that they are applied.

Salary increases and variable compensation paid to the 100 or so top managers at Cromology are proposed and examined for approval each year, following a centralized procedure. The 100 most important positions in the Group are benchmarked using a job factor evaluation system, and their compensation is compared to each local market.

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

- support and apply Cromology's commitment to safety and ensure that its organization functions in a way that reflects the Cromology culture and values;
- facilitate the development of each individual in an organization to promote the taking of initiatives and responsibility;



- ensure that all of the human resources processes defined by the Group HR department (for example, the annual appraisal interview, or "HR1") and the procedure for salary evaluations and increases are applied at all levels of the company hierarchy;
- implement measures to increase employee involvement and training plans suited to the subsidiary's growth strategy;
- promote and implement compensation policies that are consistent with benchmarks in the markets in which the subsidiary operates;
- prevent all forms of discrimination and ensure compliance with and enforcement of labor laws.

#### 3.2.3.4.2 Risks related to employee absenteeism

The risk relates to unplanned employee absences (excluding paid vacations and family events).

The potential impact is an absenteeism rate for which any change would generate a loss of efficiency for a department, subsidiary or even the entire organization.

Cromology has introduced measures to obtain regular assessments of employee/employer relations within the workplace which provide a measurement of how its employees perceive quality of life in the workplace and, therefore, help reduce the risk of absenteeism. Since 2010, Cromology has been promoting the use every three years of the "Great Place to Work®" survey within its subsidiaries in order to measure the degree of job satisfaction and commitment shown by employees in relation to their quality of life in the workplace. The subsidiaries which use this survey (Tollens, Zolpan, CRI, Robbialac and Cromology Italia) then use the results to implement action plans on communication, leadership, collaborative management and training.

#### 3.2.3.4.3 Risks linked to service quality and commercial performance

In France, this involves managing sales employees from the integrated networks (over 300 employees). Sales positions are extremely sought-after in the job market, particularly in the decorative paints industry where skills in both sales and technical matters are vital to manage and grow a portfolio of customers. The close personal relationship built up by the marketing teams with their BtoB customers forms part of Cromology's business strategy.

In this context, any increase in the number of departures from our marketing teams is a commercial challenge.

The potential impact would be a fall in net sales and profitability.

The Group HR department oversees the following employee monitoring process:

- a monthly reporting chart, detailing the number of departures by type (resignations, contractually-agreed terminations, dismissals) and the number of new hires with the balance of marketing positions at month end versus the number of marketing positions featured in the budget and that of the previous fiscal year;
- hiring speed is monitored to limit the length of time positions remain vacant and attenuate the negative impact on the business. For example, if this period extends from one month to the next, Cromology may decide to implement additional resources (such as the using an external firm specialized in the recruitment of sales personnel).

Moreover, the compensation structure used for sales personnel is critical in managing sales team stability. and is closely watched by Executive Management which recently revised the compensation structures to take lessons learned in the previous year into account.

Compensation consists of a fixed and a variable component, set for the year. Cromology ensures that this compensation supports its commercial strategy and is clear, incentivizing and realistic for its sales personnel.

#### 3.2.3.4.4 Key performance indicators

The rate of absenteeism rose from 3.3% to 3.9%. In addition, each subsidiary also monitors its short-term rate of absenteeism monthly, which is analyzed by its HR department. In 2018, certain key Group entities recorded cases of long-term sick leave which explain the 18% increase observed.

Regarding the commercial performance, the monitoring indicator is the monthly difference between the number of positions defined in the budget and the number of positions actually filled. It is expressed as the average number of sales positions (ATC) not filled in comparison with the budget.

### Summary of human resources indicators

Risk	Indicators	2018 Data	2017 Data	2016 Data
Risks linked to service quality and commercial performance	Annual average number of sales positions not filled in comparison with the budget	5.9%		
Risks related to employee absenteeism	Absenteeism	3.9	3.3	3

### 3.2.3.4.5 Other employee-related information (voluntary measure):

#### 3.2.3.4.5.1 Diversity

Cromology fights all forms of discrimination, and carried out various solidarity initiatives in this area:

- in France, the Zolpan subsidiary signed up to the Diversity charter, and belongs to the "1,000 jobs/1,000 companies" association that provides assistance to people experiencing difficulties (contact and assistance, meetings);
- concerning disability, Cromology informs those structures specialized in the employment of people with disabilities about any positions which the Group wishes to fill. CRI, a French subsidiary that groups together Cromology's Supply Chain activities in France, is a partner of the association "Made in TH" with the aim of informing its employees about disability, via face-to-face and telephone support services;
- for three years now, CRI has also been a partner of the "Second Chance School" located in Clichy (Hauts de Seine). Initiatives include résumé coaching, practice interviews and internships for young people without a degree or qualification to encourage them to resume their studies.

#### 3.2.3.4.5.2 Employee engagement

Since 2014, quality of life in the workplace has been at the heart of CRI's human resources policy.

Productivity has increased by nearly 9% among production team employees and by nearly 17% for the logistics teams since 2014 (on a like-for-like basis). This change comes further to the implementation of a range of actions, in particular, those specific to safety and conditions in the workplace such as the provision of a toll-free number for a mental health and social support hotline, the creation of initiative sheets which encourage employees to be active in safety and record any high-risk situations and best practice to be shared, stretching and exercises for employees before starting work, and the involvement of employee and employer representatives in measures to improve the working environment and workstations.

#### 3.2.3.4.5.3 Freedom of association

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

#### 3.2.3.4.5.4 Demographics

In 2018, the number of Cromology employees fell by 3%, mainly due to:

- the sale in Italy of CTB's remaining eight points of sale;
- the launch of a restructuring plan in Italy;
- strict control over hires in France given the difficulties encountered by the company in 2018.

At the same time, and in contrast with previous years, Cromology has not opened any new points of sale or made any new acquisitions.

#### 3.2.3.4.5.5 Hiring, training and professional development

In 2018, Cromology hired 434 new employees on permanent contracts. And 76 employees saw their fixed-term contracts converted into permanent contracts in response to departures and growing turnover within the distribution networks.

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. In 2018, 73% of the Group's employees took part in at least one training session. The average number of training hours per employee was 15.5 hours, corresponding to just over two days' training. External training costs were down, at €574 per person trained. These falls in the number of individuals trained and in training costs reflect the decision made by the company on the need to make savings, in particular across the networks in France. The decision was made to reduce training for sales personnel in order for them to be spending more time with customers and to develop mentoring-type training and e-learning so as to reduce accommodation and travel costs.

#### 3.2.3.4.5.6 Remuneration

In 2018, personnel costs remained stable in comparison with 2017 due to the fall in employee numbers. However, personnel costs represented 27.7% of Cromology's net sales. This growth of more than 2.2 points compared with 2017 is due to the fall in net sales.

## Summary of human resources indicators (voluntary)

Indicators	2018 data	2017 data	2016 data
<b>Demographics</b>			
Group workforce	3,647	3,758	3,947
of which permanent contracts	3,504	3,576	3,809
of which permanent contracts (as a %)	96.1%	95.2%	96.5%
of which fixed-term contracts	143	182	138
of which permanent contracts (as a %)	3.9%	4.2%	3.5%
of whom women	1,085	1,106	1,103
of whom women (as a %)	29.8%	29.4%	28%
of whom men	2,562	2,652	2,844
of whom men (as a %)	70.2%	70.6%	72%
New hires in the Group*	542	469	519
of whom women	184	160	141
of whom women (as a %)	33.9%	31.9%	27.2%
Departures from the Group**	614	497	466
of whom women	174	160	133
of whom women (as a %)	28.3%	28.5%	28.5%
<b>Breakdown of staff by geographic region</b>			
France (including Belgium and Luxembourg)	68.7%	67.3%	63.7%
Southern Europe (Spain, Italy, Portugal)	22.5%	24.2%	23.3%
Other countries (Morocco, Switzerland)	8.9%	8.5%	13%
Personnel expense as a % of sales	27.7%	25.5%	25.5%

\* Permanent contract + fixed-term contracts converted into permanent contracts + internal transfers + acquisitions.

\*\* Permanent contracts only.

## Summary of human resources indicators (voluntary) (continued)

Indicators	2018 data	2017 data	2016 data
<b>Training</b>			
Number of employees having completed at least one training program	2,661	3,046	3,084
% of employees having completed at least one training program	73%	81%	78.1%
Average number of training hours per employee	15.5	21	17.6
External training costs as a % of payroll	0.83%	0.9%	1%

### 3.2.3.5 Health and safety

#### 3.2.3.5.1 Organization

On a Group level, Health and Safety policy is managed by the QHSE department to ensure standardization of procedures, the sharing of best practices, and the monitoring of changes in regulations in different countries. It has been designed in the context of the continuous improvements process linked to the OHSAS 18001 standard under which all industrial sites are certified. The policy has been implemented in all entities, led by the QSE coordinator of each country, or by each QSE site manager in France.

#### 3.2.3.5.2 Risks linked to personal safety

These are risks occurring on Cromology sites:

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

The potential impact of these risks is two-fold:

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

**For its employees**, Cromology's core value is "Safety first". It has a prevention policy in place which includes:

- a QSE policy;
- certain Safety "Golden Rules" which employees must take on Board from the initial interview with his or her manager during the on-boarding process. The Golden Rules have been established in response to feedback. They cover those situations which are the most common and aim to provide better control over the risks of its business activities as producer and distributor. They are shared across all of the Group's activities;
- training in safety and posture and movements which is provided to each employee as part of the on-boarding process;
- regular awareness-raising activities provided daily (for example, warm-up exercises on production and logistics sites), weekly (safety news, safety update), monthly (audits in the context of the ISO 9001, ISO 14001 and OHSAS 18001 certifications held by the vast majority of Group entities), annual (World Day for Safety and Health at Work);

- a system for the escalation of dangerous situations so that safety and the working environment can be managed on a day-to-day basis;
- access to Workplace Health and Safety training programs;
- the introduction of collective and individual protection for employees.

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

#### 3.2.3.5.3 Risks related to the safety of industrial processes and the operation of points of sale

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

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

- health and safety: impact on personnel and/or those living nearby;
- environmental: repercussions relating to health (pollution) and/or impact on ecosystems (flora and fauna);
- economic: shutdown of activity on the site in question.

There is no such thing as zero risk. Cromology has implemented measures to anticipate and reduce risk as well as a crisis unit to plan for help in the event of an incident.

With regard to prevention, Cromology provides:

- its employees with information on health and safety issues. Each year, "fire prevention"-type training sessions are provided in all entities;
- static safety systems (sprinklers<sup>(1)</sup>, FHCs<sup>(2)</sup>);
- a system for the monitoring of its industrial and commercial facilities by an authorized external service provider which enables Cromology to keep its equipment compliant with all regulations and in working order (just one minor fire in a store in 2018, caused by an electrical fault);
- the implementation in France, on all production and logistic sites and in all head offices, of an organization to ensure that employees are evacuated in the event of a fire, by training employees are "fire marshalls" and "fire assistants";
- an updated Internal Operations Plan (IOP) for most of the Group's industrial sites, even if Cromology does not have any "SEVESO" listed facilities. In France, this IOP is drawn up in cooperation with the regional fire department and local emergency services ("SDIS").

(1) Automatic sprinkler system.

(2) Fine horse cabinet.

### 3.2.3.5.4 Key performance indicators

The monitoring indicators are:

- LT1, LT2, severity rate, number of accidents with or without lost work time;
- Number of safety inspections, number of notes for the escalation of dangerous situations, issued and filed;
- OHSAS 18001 site certification.

#### 3.2.3.5.4.1 Monitoring results

The number of accidents in the workplace leading to lost time in 2018 was up sharply on 2017 and also leads to an increase in the frequency rate from 4.24 to 5.9 in 2018. The accidents recorded are mainly connected to manual handling within the distribution networks and on the industrial and logistics site. The higher

employee turnover recorded within the distribution networks has also contributed to this increase.

Similarly, the degree of seriousness of the accidents reported increased from 0.16 in 2017 to 0.28 in 2018. This change is directly related to the change in the number of accidents leading to lost time recorded over the year but is also due to the reduction in the workforce in 2018 compared to 2017 and therefore to the reduction in the number of hours worked (-2.3% between 2017 and 2018).

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

## Summary of Personal Safety Indicators

Risk	Indicators	2018 data	2017 data	2016 data
Risks linked to Personal Safety	Number of work injuries with at least one day of lost time	41	30	29
	Number of work injuries without lost time	11	10	9
	Rate of injuries with lost work time (LT1)	5.9	4.24	5.7
	Rate of injuries with or without lost work time (LT2)	7.5	5.7	7
Risks linked to security of industrial process and marketing at points of sale	Severity Rate	0.28	0.16	0.17
	% of industrial sites with OHSAS 18001 certification	100%	100%	100%

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

Severity rate:  $(\text{number of days of working time lost} \times 1,000) / \text{number of hours worked among employees on permanent or fixed-term contracts, temporary staff and subcontractors}$ .

### 3.2.3.6 Environment

#### 3.2.3.6.1 Environmental initiatives

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

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

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

- strengthening the environmental management system;

- optimizing the use of resources;

- reducing the environmental impact.

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

Within the scope of its industrial activities (production sites and logistics sites) in Italy, Spain, Portugal and France, Cromology has been awarded ISO 14001 certification which enables improved control of VOC emission risks via regulatory monitoring, the implementation of an environmental management plan and the validation of the processes to be applied in the event of an incident. This represented over 92% of its net sales and 70% of its industrial and logistics sites in 2018 (50% in 2017).

### 3.2.3.6.2 Risks associated with water and soil pollution or with the contamination of water and soil with ecotoxins

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

Cromology's manufacturing activity involves producing paints, 90% of which are water-based. On average, water makes up between 45 and 60% of the components of a paint. The aim is to recycle as much as possible of the water used in the cleaning process, taking as an example the Wormhout plant, which re-uses 100% of all water in production..

The potential impact is:

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

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

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

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

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

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

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

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

### 3.2.3.6.4 Risks associated with the hazardous waste generated by operations

This risk concerns the management of the hazardous waste (solvents, paint residue, packaging used for chemical raw materials, etc.) produced by the production sites (90% of the scope) and by the distribution networks. Hazardous waste is considered to contain variable quantities of substances that are harmful or dangerous to human health and to the environment. Cromology refers to the European Framework Directive on Waste (2008/98/EC), as amended by regulation 1357/2014/EU and by decision 2014/955/EU which defines the dangers, both for its sites in Europe and for those in Morocco.

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

The management of hazardous and non-hazardous industrial waste is included within the ISO 14001 certification which covers 75% of Cromology's production sites. This standard guarantees the traceability and correct handling of chemical waste in the context of the procedures that it lays down.

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

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

In France (66% of the scope), Cromology complies with regulations on the management of site waste and is also compliant with the principle of Extended Producer Responsibility, as part of a channel organized since 2013, so as to put into practice its commitment to recovering used products marketed to individuals. Cromology is one of the founder members of Eco-DDS, a not-for-profit organization whose mission is to encourage the sorting, collection, and processing of certain waste chemicals from individuals. Each year, Cromology contributes to the joint efforts being made by Eco-DDS member companies by paying a green levy to cover the cost of the collection and processing of specific waste streams (SWS) generated by households.

(1) Volatile organic compounds

### 3.2.3.6.5 Key performance indicators

#### 3.2.3.6.5.1 Monitoring results

In 2018, Cromology continued its certification efforts by obtaining triple ISO 9001, ISO 14001, and OHSAS 18001 certification for all of the Cromology Research and Industry sites in France, demonstrating its volition to improve the control of its risks in terms of the health and safety and the environment. The scope of the % of sites certified has therefore been modified in order to take into account all of the group's logistics centers.

In 2018, Cromology saw production fall by 2.3% with a total of 213 t in 2018 compared to 218 t in 2017.

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

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

Similarly, Cromology is monitoring and assessing the waste produced by its production activities and by its production networks. While the total volume of non-hazardous waste fell by 1.5% in 2018 compared with 2017, the ratio in relation to production volume increased. This is mainly due to a cleaning operation postponed in 2017 until 2018 and to work on the Vemars center, and to an operation involving the replacement of pallets in Morocco.

The slight increase in hazardous waste recorded is mainly due to an operation involving the recovery and destruction of products containing solvents.

In 2017, energy consumption monitoring (gas, electricity, and fuel oil) by the networks was somewhat unreliable for networks representing around one half of the Group's total consumption (49%) (many figures missing for network points of sale were replaced by estimates based on the previous three years). In 2018, focusing supplies on a limited number of suppliers meant that it was possible to obtain a more accurate assessment. It is therefore difficult to compare the figures for 2017 and 2018. The increase remains however limited for Cromology as a whole with an increase of just 2.3%.

For the same reasons, the increase in CO<sub>2</sub> (+12%) and NO<sub>x</sub> (+11%) in 2018 being directly linked to the increase in network gas consumption (fuel oil remaining stable) and the reliability of the data, no exhaustive comparisons can be made.

### Summary of environmental indicators

Risk	Indicators	2018 data	2017 data	2016 data
Risks associated with water and soil pollution or with the contamination of water and soil with ecotoxins	% of ISO 14001-certified industrial and logistics sites	70%	50%	47%
	Chemical Oxygen Demand (COD) (metric tons)*	11.2	11.07	
Risks associated with the hazardous waste generated by the activity	Suspended solids (metric tons)*	5.5	4.2	
	Waste produced (% of production volumes)	5.4%	4.4%	5.8%
Environmental and health and safety risks associated with the release into the air of toxic (VOCs) or carcinogenic substances	Hazardous waste produced (% of production volumes)	0.9%	0.8%	
	CO <sub>2</sub> emissions (metric tons)**	4,150	3,694	4,156
	NO <sub>x</sub> emissions (metric tons)**	4.51	4.05	4.59
	SO <sub>x</sub> emissions (metric tons)**	0.35	0.4	0.87
	Volatile Organic Compound (VOC) emissions (metric tons)	128	138	190.8
	Volume of VOCs released per kiloton produced	0.6	0.63	

\* 2017 data amended following the retroactive correction of the purification coefficient for external treatment stations.

\*\* 2017 data amended following the retroactive correction of the CRI Ouest data.

**3.2.3.6.6 Other environmental items (voluntary measure)**

In 2018, water consumption rose by 5% in comparison with 2017. This increase was due to several factors:

- the reduction in solvent-based products in favor of water-based products;
- the increase in cleaning frequency of production tools and tanks at certain entities;
- the presence of leaks which were only noticed at a late stage.

**3.2.3.6.6.1 Adaptation to the consequences of climate change**

The business is not directly impacted by the consequences of climate change and, therefore, Cromology has considered that this did not constitute a key CSR risk and did not need to be discussed in detail within this management report.

**3.2.3.6.6.2 Estimate of significant sources of Greenhouse Gas Emissions**

In accordance with Decree 2016-1138 of August 19, 2016, in application of the energy transition for environmental growth law, Cromology conducted a study to determine its principal sources of greenhouse gas emissions.

The methodology applied is described in the industry guide for performing a greenhouse gas emissions assessment published by the French chemical industry union (UIC) in May 2015. This guide is based on the "Technical Guidance for Calculating Scope 3 Emissions" of the Greenhouse Gas Protocol.

To conduct this study, Cromology drew on the carbon assessments of its Tollens and Zolpan subsidiaries, carried out in 2014 and 2010, respectively. To obtain the emissions factor data, particularly for the paint production portion, Cromology contacted its suppliers with regard to the most relevant raw materials. By default, the "carbon database" was used.

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

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

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

Summary of other environmental indicators (voluntary)

Indicators	2018 data	2017 data	2016 data
Water consumption (m <sup>3</sup> )**	155,358	147,702	155,753
Energy consumption (TJ)**	197.9	193.3	197.9

\* 2017 Data (water and energy) amended following the retroactive correction of the CRI Ouest data.

**3.2.3.7 Supply chain**

**3.2.3.7.1 Suppliers' environmental and health and safety risks**

This relates to supplier risk concerning CSR in the areas of the environment, health and safety.

The potential impact for Cromology concerns experiencing interruptions to supplies if any supplier production site is impacted and, therefore, an impact on its own production capacity.

- Via a centralized purchasing organization, the company places an emphasis on working with suppliers of raw materials and packaging which have manufacturing sites in Europe and which are compliant with ISO standards in terms of quality, the environment, and safety. Therefore, around 80% of total purchases (by value) of raw materials and packaging is purchased mainly from suppliers

manufacturing in Europe and meeting European requirements in terms of health and safety and the environment.

- Cromology's purchasing policy includes an action plan stating that, by 2020; all of its suppliers must have been questioned, assessed, and approved using a questionnaire compiled by the Procurement Department. By the end of 2018, all main suppliers had replied and met expectations in terms of governance and ethics.

In addition, for all of its suppliers, Cromology is carrying out system and process audits in order to ensure that manufacturing conditions meet best manufacturing practice standards in terms of hygiene and health and safety and are compliant with all environmental standards in force and with the quality standards required.



The monitoring indicators are:

- number of suppliers to which the questionnaire has been issued and % of the associated purchasing volume.

Purchase volume (%)	2018	2017
Packaging	74	63
Raw materials	66	67

### 3.2.3.7.2 Risks associated with the transportation of hazardous products

Management of this risk involves compliance with the international regulation known as the "Agreement concerning the Carriage of Dangerous Goods by Road" ('ADR') (excluding Morocco where this regulation does not apply).

There would also be a legal risk if, with regard to Cromology's logistics, any non-compliance concerning the packaging of dangerous products or any failure to check the credentials of drivers were to be established.

There is also an environmental risk in the event of any spillage on the road of a product whose packaging or transportation information is not compliant with the regulation.

The potential impacts include the interruption of business or a criminal law risk in the event of non-compliance further to a check on our transport sub-contractors.

In accordance with the ADR regulation, Cromology, as sender, identifies, classifies the goods, draws up the documentation (packaging labels, safety data sheets, technical data sheets for the products manufactured) and guarantees that the products are properly packaged.

As the loading company (from its logistics centers), Cromology checks the driver loading the goods, the equipment, the documents, and the training undertaking by all those involved.

### 3.2.3.8 Innovation

#### 3.2.3.8.1 Risks related to regulatory changes in relation to raw materials

This is a risk linked to changes in environmental or health and safety regulations, either national or supranational, concerning a chemical substance used in the composition of one of the raw materials used in one of our formulas or of a raw material itself.

For paints marketed by Cromology, this change would lead:

- to a ban or restrictions on its use either by Cromology employees or by users of the paint containing the substance, or for anyone exposed to the paint once applied;

In 2017 and 2018, we conducted a survey on 23 raw materials suppliers and 13 packaging suppliers who answered a questionnaire.

The related purchase volume is as follows:

- heightened protection measures being taken in relation to the handling of this substance or formula.

The potential impact is economic:

- by stopping the marketing of the paints which could contain the substance in question;
- via the operational application of the implementation of the regulations to adapt the production tool;
- and via an increase in operating costs.

To mitigate this risk and plan for changes to regulations, Cromology has introduced a system based on the monitoring of the regulatory watch conducted by the R & D department and by Group Regulatory Affairs (except in Morocco where, in the absence of any specific regulations, Cromology has started to list all dangerous raw materials using the same European criteria):

- of legislation of each country in which it operates as well as on a European level;
- of any actions to replace the dangerous substances found in its formulas.

The regulatory monitoring carried out by the Group means that information is escalated to the prospects team, attached to the R & D and Regulatory Affairs department. The latter's role is to identify innovative technologies or products (potentially originating from other industries) and to assess their technical and economic potential, in conjunction with all of Cromology's strategic marketing and R & D teams.

In this context, the Prospects Team allows Cromology to plan ahead for scenarios involving the adaptation and new orientation of its commercial offer which could respond to changes in compliance that may be required by any potential future regulations.

The following indicators are in place:

- number of regulated raw materials (SVHCs and agents which are carcinogens, mutagens, or toxic for reproduction and harmful to the environment (CMRs) in the formulas used for the paints manufactured by Cromology;
- production volume of those formulas containing SVHC or CMR (1 and 2) type raw materials by tonnage.

Out of the 2,132 raw materials used by Cromology in its formulas, 9% represent a potential or known danger according to the current classification of substances and represent around 1% of the total volume of raw materials used in the production process in 2018 while complying with current legislation on products put on the market. Constant study and daily efforts to replace these substances or limit their use are yielding solutions and continuing to offer new products in line with applicable regulations or, better yet, with existing or new additional certifications.

### 3.2.3.8.2 Risks associated with products not being in line with market needs

Among those long-term trends noted by Cromology, consumer demand for products which are ever more environmentally-friendly has been identified for several years now.

In this context, constant innovation is necessary to ensure the launch on the market of a range of paints with ever-improving environmental impact profiles.

The potential impact of failing to achieve this is a loss of competitive edge and an economic impact.

To guarantee continuous innovation, Cromology operates Research and Development laboratories in all countries in which it has a presence, and close to its customers specific needs.

In 2018, more than 50% of Cromology's R & D investments were devoted to product innovation, especially for activities focused on new markets and future regulatory and labeling changes:

- regulatory monitoring and innovation: please see the "Associated Opportunities" section of Regulatory Risk associated with Raw Materials;
- eco-certified products: within the new product development process, the possibility of an eco-friendly design is systematically examined. For example, integrating this characteristic into the design brief has become systematic for the French brands. The design brief is approved jointly by the R & D and Marketing teams;
- Cromology has entered into a partnership with a packaging manufacturer in France to make regular increases to the percentage of recycled plastics used in its plastic packaging, thereby contributing to its environmentally-friendly efforts;
- eco-labeling is a voluntary measure for which there is no regulatory framework. In the paint industry, eco-labels are under-developed in Morocco and in Europe outside of France<sup>(1)</sup>. In its product innovation plan, Cromology systematically examines the relevance of creating new paints meeting the needs of customers in one country and of obtaining eco-certification for these. For example, Cromology has launched a pollution-removing interior paint, an innovation which generated its own demand in countries such as Portugal, Spain, and Italy;

- if the legislation of the countries in which Cromology operates changes and reinforces the ecological regulatory constraints imposed on industrial entities, Cromology will benefit from its position in the vanguard and will not incur any expenses from having to adapt its portfolio under an agenda imposed by the new legislation. Its innovation policy in terms of eco-certified products has for several years now demonstrated its wish to go well beyond local regulatory obligations for any new product designed.

The indicators monitored:

- the percentage of net sales generated by products launched within the last three years: 25% (vs 23% in 2017);
- net sales generated by new products (launched within the last three years) having an environmentally-friendly label as a percentage of sales of all products launched within the last three years: 64% (vs 66% in 2017);
- % of recycled plastic in the plastic packaging used for products sold by Cromology in France: 62% (vs 58% in 2017).

### 3.2.3.9 Personal data management

These are risks connected with the GDPR which came into force in May 2018, and to changes thereto (excluding Morocco).

The potential impact would take the form of sanctions in the event of non-compliance and a negative impact on Cromology's reputation.

- The personal data of Cromology's employees, customers and suppliers, gathered and stored in files, has been classified in accordance with GDPR standards. A register of all processing of this data has been created and is updated as changes occur. This guarantees that all data managed in Cromology's systems is used appropriately.
- In terms of securing this data, the following measures have been taken:
  - each employee must sign an IT charter when he or she joins Cromology and its subsidiaries. This charter sets out his or her personal responsibilities in relation to the use of any personal data to which he or she has access,
  - a "personal data" page has been added to all Cromology websites featuring a request for data either from customers or from applicants responding to published job offers,
  - concerning suppliers which are relevant from the point of view of the GDPR, all main contracts signed prior to the introduction of the Regulation will be reviewed in 2019 and a GDPR amendment added. All contracts signed with new suppliers include a GDPR clause.

(1) Issued by independent bodies on the basis of specific criteria, the most stringent eco-labels in Europe are : Ecolabel Europeen, NF Environnement, France's A+ and Germany's TÜV.

A dedicated GDPR Committee was set up in 2018. This guarantees that all measures involving the collection and use of customer data are compliant with the GDPR standard. The Committee includes representatives from the IT Systems Department, the Human Resources Department and the Legal Department and the Customer Data Base Manager for the Tollens and Zolpan networks.

### 3.2.3.10 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 drawn up and presented to the Executive Committee. Each Cromology Executive Committee member, including all the CEOs of the operational companies, signed a business conduct charter that incorporates the anti-corruption charter.

In 2015 and early 2016, all Executive Committee members of the Cromology Group's operational companies made a written commitment regarding its implementation.

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 Anti-Corruption Charter.

### 3.2.3.11 Society (voluntary measure)

#### 3.2.3.11.1 Local economy (voluntary measure)

Most of the group's products are manufactured locally. In 2018, the share of Cromology revenues generated by products sold in the regions where they were produced was more than 95%.

Concerning its policy for purchasing raw materials and packaging in Europe, Cromology gives preference to European suppliers and manufacturers in an effort to reduce its transport costs and obtain better manufacturer accessibility and availability. Preference is given to the transportation of significant raw materials by sea or river rather than by road wherever possible. For example, in 2018, Cromology had the principal emulsion used in its production process transported by ship, thereby saving 211 metric tons of CO<sub>2</sub> and 222 metric tons of greenhouse gases. One half of the total volume of this emulsion was transported by sea in 2018 as opposed to 8% in 2017.

#### 3.2.3.11.2 Partnerships and sponsorship initiatives (voluntary measure)

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 employees are volunteers.

In Morocco, the Arcol subsidiary has run a program to renovate rural schools through skills volunteering and paint donations since 2015. Some twenty schools and over 5,000 students have benefited from this initiative and from the distribution of school supplies.

In France, Tollens is a partner of the Imagine Institute, Europe's largest research center specializing in childhood illnesses, and donated one half of the 13,000 liters of paint required to decorate the Institute's building inaugurated in 2013.

Since 2009, Zolpan has awarded 50 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.

#### 3.2.3.11.3 Cromology Vigilance Plan

Cromology's Vigilance Plan was established in response to the requirements imposed by Law 2017-399 of March 27, 2017 in relation to the duty of care.

In this context, Cromology set up a steering group, including representatives from the Supply Chain and R & D Division, the Purchasing Division, the Human Resources Division, the Quality, Safety and Environment Division and the Public Relations Division. This steering group has taken steps to create a duty of care plan in order to comply with the requirements of the Law on the Duty of Care and to identify and assess any possible risks involving the violation of the principles set out therein. The results of this assessment are described in this duty of care plan.

The Duty of Care Plan forms one part of Cromology's sustainable development policy. Actions which go beyond the context of risk management and regulatory compliance are implemented across a range of sectors such as: environmental, quality and safety certification for production and logistics sites, reduction in energy consumption, recycling of waste, the "quality of life in the workplace" measures adopted by certain Group companies, etc.

**3.2.3.11.3.1 Risk mapping**

Risk mapping aims to rank the main risks to which Cromology may consider itself to be exposed.

This year, the company's approach to steering risk assessment has been concentrated on identifying risks relating to proprietary activities, products, and within the Cromology supply chain, i.e. risks linked to its direct production purchasing and to its indirect purchasing.

The mapping has been carried out at an entity level, and a compilation of data has enabled the identification of gross major risk within the scope of the group based on the number of sites in question, industrial or distribution network sites, and/or the number of employees concerned.

**3.2.3.11.3.2 Risk assessment**

The risk assessment process presented will be updated on the basis of the monitoring work carried out in the context of the annual publication of this Duty of Care Plan, i) in the context of the compliance audits carried out for the renewal of certification under the ISO 9001 (quality), ISO 14001 (environment) and OHSAS 18001 (safety) standards, ii) in the context of the audit carried out by Cromology customers, or iii) further to audits carried out concerning its suppliers.

**The key risks identified are:**

**A Concerning proprietary activities**

Cromology mainly has exposure to:

- **Risks linked to human rights and fundamental freedoms:**
  - risks associated with human and employment rights such as respect for freedom of association and collective bargaining, rights of migrant workers, employees' working hours and rest periods, situations involving harassment, abuse, or discrimination,
  - risk associated with the management of customer personal data and guaranteeing the confidentiality of private data;
- **Risks to the health and safety of individuals:**
  - risks connected to the handling and use of toxic chemical substances which are potentially dangerous to health, such as substances subject to authorization (SVHC) or carcinogens, mutagens, and toxins for reproduction (CMR), by all employees and end users,
  - health risks associated with the release into the air of all substances handled (toxic substances such as Volatile Organic Compounds and dust),
  - risk of accidents in the workplace linked to the professional activities of employees in relation to industrial, logistics, or commercial activities;

**■ Risks relating to the environment:**

- risks associated with water and soil pollution or with the contamination of water and soil with ecotoxins,
- risks linked to soil pollution during industrial activity or during the transportation of hazardous materials,
- environmental risks associated with the release into the air of toxic substances (VOCs), carcinogens or dust,
- risks linked to the management of hazardous waste generated by operations.

**B Within the supply chain**

Cromology is mainly exposed to risks at its suppliers of raw materials, due to the chemical nature of such materials:

- environmental risks,
- risks to the health and safety of suppliers' workers,
- risks linked to human rights and fundamental freedoms.

**3.2.3.11.3.3 Action taken to mitigate risks or prevent serious harm**

Risk mitigation measures are based on the various measures tailored to each area of responsibility of the Group.

**Vigilance concerning human rights and fundamental freedoms****Code of Conduct**

From 2014 onward, Cromology established a policy which constitutes the Code of Conduct setting out the principles and rules, in particular with regard to safety, which the company wishes to impose on all employees, under all circumstances, and in all countries.

**Personal data management**

This concerns compliance with the GDPR, which came into force in May 2018:

- the personal data of Cromology's employees, customers and suppliers, gathered and stored in files, has been classified in accordance with GDPR standards. A register of all processing of this data has been created and is updated as changes occur. This guarantees that all data managed in Cromology's systems is used appropriately;
- in terms of securing this data, the following measures have been taken:
  - each employee must sign an IT charter when he or she joins Cromology and its subsidiaries. This charter sets out his or her personal responsibilities in relation to the use of any personal data to which he or she has access,
  - a "Personal Data" page has been added to all Cromology websites featuring a request for data either from customers or from applicants responding to published job offers,

- concerning suppliers which are relevant from the point of view of the GDPR, all main contracts signed prior to the introduction of the Regulation will be reviewed in 2019 and a GDPR amendment added. All contracts signed with new suppliers include a GDPR clause.

A dedicated GDPR committee was set up in 2018. This guarantees that all measures involving the collection and use of customer data are compliant with the GDPR standard. The Committee includes representatives from the IT Systems Department, the Human Resources Department and the Legal Department and the Customer Data Base Manager for the Tollens and Zolpan networks.

#### Vigilance with regard to personal health and safety

##### ■ For employees

Cromology's core value is "safety first", and it has put a prevention policy in place which includes:

- a Group QSE policy signed by the CEO;
- safety "Golden Rules" which employees must take on Board from the initial interview with his or her manager during the on-boarding process;
- training in safety and posture and movements, which is provided to each employee as part of the on-boarding process;
- regular awareness-raising activities provided daily (for example, warm-up exercises on production sites), weekly (safety news, safety update), monthly (audits in the context of the ISO 9001, ISO 14001 and OHSAS 18001 certifications held by the Group), annual (World Day for Safety and Health at Work);
- an efficient system for the escalation of dangerous situations so that safety and the working environment can be managed on a day-to-day basis;
- access to workplace health and safety training programs;
- the introduction of collective and individual protection for employees;
- a root-cause analysis is drawn up and used to create an action plan in response to any accident occurring on a site within the Group (production site, logistics centers, points of sale) or on the road involving traveling employees.

The monitoring indicators are:

- LT1, LT2, severity rate, number of accidents with or without lost work time;
- number of safety inspections, number of notes for the escalation of dangerous situations, issued and filed;
- safety training monitoring;
- site ISO 9001, 14001, OSHAS 18001 certification.

##### ■ For users

Cromology has put in place surveillance based on regulatory monitoring carried out by the R&D department and by Group Regulatory Affairs concerning:

- the legislation in each country in which it operates as well as on a European level;
- its actions to replace dangerous substances in its formulas.

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

- Cromology continually seeks to reduce the VOC content of its innovations as much as possible, beyond the regulatory requirements of the countries where it operates, while maintaining the highest level of quality and performance possible. In 2018, new products meeting the most demanding VOC content labels (Ecolabel, TÜV) or VOC emission level (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 a recognized German 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, since 2014, Cromology has been selling an anti-formaldehyde paint which enables the level of interior air pollution to be reduced by capturing major pollutants in the paint. When used on the four walls and ceiling of a room, the amount of pollutants in the indoor space can be reduced by 80%.

The indicators put in place:

- number of regulated raw materials (SVHCs and CMRs) in the formulas used for the paints manufactured by Cromology;
- volume of use of formulas containing SVHC or CMR (1 and 2) type raw materials by tonnage;
- percentage of net sales generated by environmentally-friendly products launched within the last three years compared with total revenue generated by products launched within the last three years.

#### Care in relation to the environment

- Cromology has no "SEVESO" listed facilities, but has created an Internal Operations Plan (IOP) for most of the group's industrial sites, in cooperation in France with the regional fire departments and emergency services ("SDIS");
- all production sites are equipped with static safety systems (sprinklers, FHCs);

- a system for the monitoring of industrial and commercial facilities by an authorized external service provider enables Cromology to keep equipment compliant with all regulations and in working order;
- "firefighting" and "workplace first aider" training is offered to employees each year;
- an equipment audit is carried out by an insurer at least once every three years;
- a ISO 9001, ISO 14001 and OSHAS 18001 certification audit is carried out each year.

The monitoring indicators are:

- regulatory monitoring of equipment (France);
- number of sites with OHSAS 18001 and ISO 9001 and 14001 certification;
- statutory training scheme (Workplace First Aid, Firefighting).

80% of production and logistics sites are also ISO 14001 certified. On these sites, QSE services (internal and external) carry out periodical checks on waste products. A limited number of production sites for which a risk exists relating to leaks or soil protection are the subject of a monitoring plan and an action plan.

The monitoring indicators are:

- waste water monitoring;
- % of sites with ISO 14001 certification;
- waste produced (% of production volume);
- CO2 emissions (metric tons);
- NOx emissions (metric tons);
- SOx emissions (metric tons);
- Volatile Organic Compound (VOC) emissions;
- Chemical Oxygen Demand (COD) (metric tons).

#### **Duty of care with regard to suppliers of raw materials and packaging**

The volume of raw materials and packaging purchases is the largest and most strategic purchase made by Cromology.

Via centralized purchasing, the company places emphasis on working with suppliers of raw materials and packaging which have manufacturing sites in Europe and which are compliant with ISO standards in terms of quality, the environment, and safety. Therefore, around 80% of the total purchasing volume (in value) for raw materials and packaging is purchased mainly from suppliers manufacturing in Europe and meeting European requirements in terms of health and safety and the environment.

In addition, Cromology launched an action plan stating that, by 2020, all of its suppliers must have been questioned, assessed, and validated. At the end of 2018, all main suppliers had replied and are meeting expectations in terms of governance and ethics.

In addition, for all of its suppliers, Cromology carries out system and process audits in order to ensure that manufacturing conditions meet best manufacturing practice standards in terms of hygiene and health and safety and are compliant with all environmental standards in force and with the quality standards required.

In 2019, Cromology will audit at least two raw material manufacturing sites.

The monitoring indicators are:

- change in the number of suppliers to which the questionnaire has been issued and % of the associated purchasing volume;
- number of site audits carried out and associated action plans.

#### **Duty of care with regard to suppliers of trade products in France**

A new model form contract will be signed from 2019 onward by all suppliers of trade products. This includes articles relating to ILO standards, personal safety, protection of the environment, and also to the prevention of corruption.

#### **3.2.3.11.3.4 Whistle-blowing procedure**

In 2017, Cromology put in place an internal whistle-blowing system which means that any inappropriate conduct as per Law 2016-1691 of December 9, 2016 on transparency, combating corruption, and modernizing the economy ("Sapin 2") can be flagged.

In 2019, Cromology will extend the scope of this whistle-blowing mechanism to include all potential environmental damage and infringement of human rights.

#### **3.2.3.11.3.5 Range of monitoring measures implemented**

As a medium-sized business, Cromology will carry out ad hoc operational monitoring of the measures implemented by the "Duty of Care" steering group.

Indicators are monitored with a frequency that varies depending on the monitoring measures in which they are included. These measures provide a guarantee regarding the proper enforcement of duty of care procedures. For example, this concerns health and safety indicators and the annual corporate and environmental audits carried out by an external auditor in the context of the drafting of the Non-Financial Statement.

### 3.2.4 Stahl

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Stahl is the world leader in high-performance coatings and leather chemicals. Its registered office is in the Netherlands. A customer-focused company, Stahl specializes in providing products and services to manufacturers of leather, synthetics, textiles and other materials used in the automotive, garment, footwear and home furnishing consumer segments. Stahl uses two primary brands (Stahl and PielColor) to promote its products and services, and there are many product trademarks used within the portfolio (eg: PolyMatte®, Stahl EasyWhite Tan™, Catalix®, DryFast, STAHL EVO, Stahl Neo, PielColor Magic Line).

Stahl operates 13 manufacturing sites and 38 application laboratories around the world, employing 2,000 people, and 30% of whom are engaged in technical activities. The operations are located in 24 countries. The most important countries (ie: where we do most business), in alphabetical order, are Argentina, Bangladesh, Brazil, China, Colombia, France, Germany, India, Indonesia, Italy, Japan, Mexico, Netherlands, Pakistan, Singapore, Spain, Turkey and the USA.

As a manufacturer of chemical products, Stahl considers the health and safety of its employees to be its primary responsibility. Stahl is

a model for workplace safety, with a low accident frequency rate. Through its continuous improvement culture, Stahl also ensures that the impact of its activities on the surrounding ecosystems is limited. Stahl's strategy is to promote greater transparency throughout the whole supply chain, leading to a more sustainable industry and a progressively lower environmental footprint. Sustainability also represents a significant opportunity for Stahl, to gain competitive advantage in the marketplace and drive operational excellence throughout the Company.

Stahl is committed to the guiding principles of UN Global Compact, the world's largest corporate sustainability initiative, and reports on these principles annually. With this commitment, Stahl has confirmed the alignment of its strategy and operations to the universal principles of human rights, labor, environment and anti-corruption. Stahl's activities are also being aligned with the 17 Sustainable Development Goals (SDG's) announced at the UN General Assembly in 2015. This activity is updated and reported annually in the Stahl Sustainability Report.



**HUMAN CAPITAL**

**1,997**  
EMPLOYEES

76% Men 24% Women

61 nationalities in

**100**  
PEOPLE

working on innovations every day

**1,160**  
EMPLOYEES

who completed e-learning courses on responsible practices

**24**  
COUNTRIES

49% EMEA

20% Asia-Pacific

16% India Pakistan

15% Americas

**780**  
TRAINEES

who completed Stahl Campus modules

**600**  
TECHNICAL EXPERTS

2018 SALES REVENUE

**€ 867m**

MISSION

**"If it can be imagined, it can be created."**

**VALUES**

Transparency as the promoter of Sustainability and Social Responsibility.

PRODUCTS

- Leather Chemicals
- Performance Coatings & Polymers

DISTRIBUTION

**35** sales offices

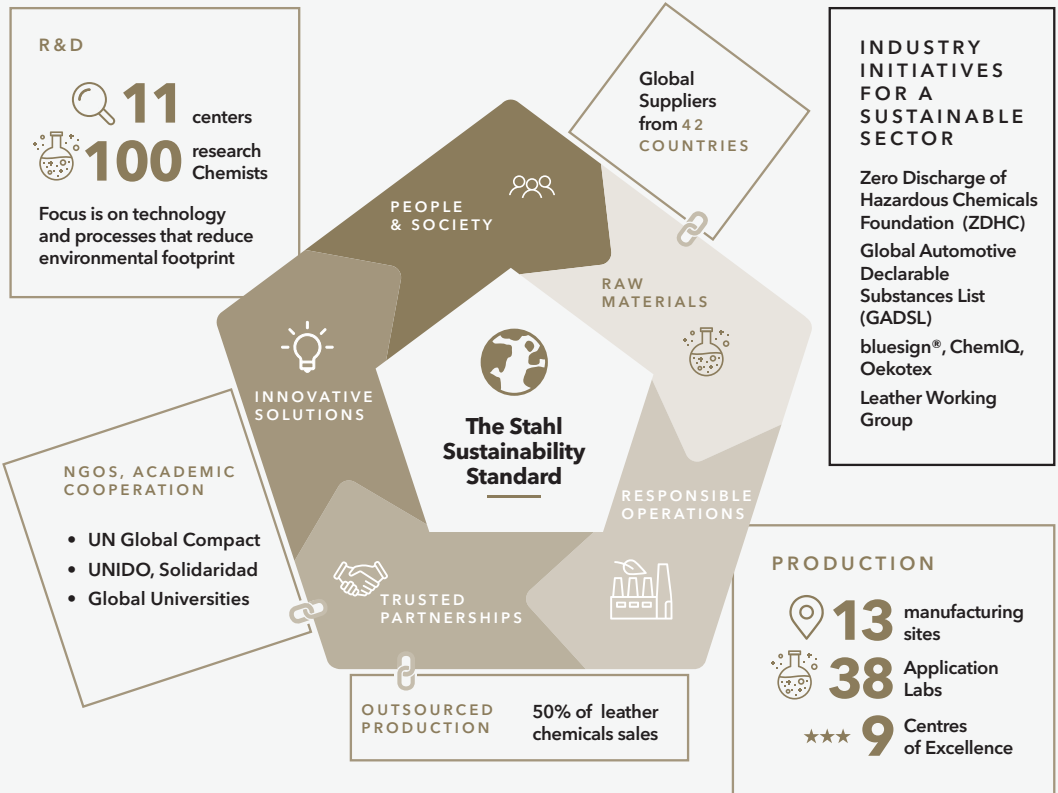
MARKETS

Main sectors

- Automotive
- Footwear, Apparel & Accessories

Others

- Architectural & Interior Design,
- Home furnishing,
- Industrial Applications
- Leisure & Lifestyle.



**ENVIRONMENTAL CAPITAL**



**0**  
COAL

used in Stahl manufacturing sites in 2018



**100%**

green energy at all European factories



CO2 EMISSIONS GOAL: **-10%**

by 2020  
Status 2018 : ON TARGET



**+85%**

of our coating solutions are water based



**~90%**

of global production volume comes from ISO14001/9001 certified sites.



### Stahl governance

The Stahl Board, its highest governance body, consists of members from its shareholders Wendel, Clariant, BASF and Stahl. The Stahl Management team consists of the CEO, CFO, and director of Procurement, director of Innovation, director of Marketing, Communications & Sustainability and two Business Unit directors. This team meets monthly and determines the implementation of company strategy. A wider executive team, our Executive Control Group, which includes regional general managers, communications, sustainability, IT, safety & health functions, meets on a quarterly basis. This team reviews performance and decides on tactics for the coming cycles.

### Manufacturing, suppliers, customers

Stahl produces its portfolio of products at its 13 manufacturing sites around the world or at outsourced locations via service agreements.

Stahl's suppliers are mostly large multinational chemical companies.

Stahl's customers are leather manufacturers (known as tanneries) and manufacturers of textiles and synthetic materials (known as converters or mills). These companies can range from large corporations to medium and small sized operations. Smaller customers are typically handled by Stahl's significant network of distributors around the world.

### Risk from external trends

#### Lifestyle choices

Stahl respects consumer lifestyle choices with respect to veganism, leather, plastics and other materials used in the various market segments and it does not take a position on one or the other. While it actively supports and is part of industry initiatives to improve the environmental footprint of leather, synthetics and textile manufacturing, Stahl is also involved in the development of alternative materials, like those made from pineapple leaves, fruit waste, mushrooms and laboratory-grown leather for example. Stahl respects the choices of brands, such as Tesla, in the automotive industry or Stella McCartney, in the luxury ready-to-wear sector about not using leather, and has adopted a perfectly transparent attitude on the alternatives to leather and their benefits and drawbacks. Stahl's Instagram account is a forum for discussion with consumers and designers that ensures respect of opinion and sharing of knowledge rather than taking a position. Indeed, the movement towards alternative materials is seen as an opportunity by Stahl, who believes it is better positioned than its competitors to adapt to such macro lifestyle trends. At the same time Stahl also is convinced that leather will continue to be a material of choice for consumers in the future, given its long term sustainable features.

#### Environmental impact

Most of Stahl's research and applications development is designed to reduce the environmental impact of its products, or those of its customers. This is in-line with Stahl's corporate goal of reducing the

environmental footprint of the whole supply chain. For example, 25% of Stahl's basic research projects are linked to the elimination of restricted substances (i.e: as per ZDHC, Bluesign®, ChemIQ, Reach, etc., guidelines) and new raw materials to replace them. With regard to natural products, there are currently 20+ projects in R & D specifically focused on finding natural resource alternatives to petroleum based polymers for polyurethanes, a core technology for Stahl. In other chemistries Stahl is constantly looking for alternatives that are based on renewable resources. With regard to water, a majority of its research time is spent on developing water based products (already a large portion of its portfolio) or on products which reduce water pollution originating from the factories of Stahl's customers. For the Performance Coatings business, the recent market switch from solvent to water is a key driver in product development.

Stahl has also invested in Life Cycle Assessment (LCA) methodology to quantitatively measure the impact of its products on the environment, and to express it in language that the stakeholders can recognize (e.g., the impact of ozone depletion, toxicity, climate change and land use).

## Sustainability & Corporate Responsibility

### Goals and Strategy

Stahl's goal is to achieve a transparent supply chain that continuously reduces its environmental footprint. The Company's strategy to achieve this goal is to organize initiatives that promote transparency and to provide environmental solutions for the supply chain, involving continuous collaboration with its partners. Stahl's influential position as a provider of products and services to manufacturers of materials used in the automotive, apparel, home furnishing, footwear, garment and other related industries, is a determining factor in the implementation of this strategy. Stahl also recognizes that sustainability represents a significant opportunity, to gain competitive advantage and to drive operational excellence that creates sustainable value.

### Governance Sustainability and CSR

At the corporate level, Sustainability and Corporate Social Responsibility (CSR) is part of Stahl's executive management team, which meets quarterly and sets the Company strategy. 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 (key performance indicators) 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.

### Risk Mapping

In 2018 Stahl carried out a detailed review of its risk assessment and control policies, in accordance with the new requirements of the Non-Financial Statement (NFS), with regards to environmental, social, human rights and corruption risks resulting from its activities. This review covered the risks linked to its employees, suppliers, and to the external supply chain that it serves. Stahl has adopted due diligence policies covering health, safety, environment and human rights that mitigate the risks identified in this review. The results displayed in Stahl's risk analysis were cross-checked with two types of organizations, used as reference sources:

- independent standards: MSCI (Morgan Stanley Capital International) and SASB (Sustainability Accounting Standards Board);
- companies comparable to Stahl in terms of sector of activity, operating in several countries, and disclosing on their CSR risks and materiality method.

The risks identified with the highest gross risk level<sup>(1)</sup>, as agreed in preliminary work and audited at site and corporate level, are:

- occupational health and safety of employees;
- hazardous waste management;
- impact on water resources;
- GHG emissions contributing to climate change;
- attractiveness and talent retention;
- increase in demand and regulation for sustainable chemical products;
- corruption.

(1) Gross risks are the risk for similar companies and activities (that impact both the company and the external stakeholders) in the same geographic area, without taking into account the effects of mitigation processes. Stahl explains for each chapter how it manages and mitigates these risks. Note: Because of the nature its activities (leather chemicals, coatings and polymers), Stahl believes that some identified risks do not represent critical non-financial risk ; responsible, equitable and sustainable food.for Stahl and do not need to be developed further in this report. These less critical risks are: fight against food insecurity; respect of animal welfare, responsible, fair and sustainable food production.

### Materiality matrix

Stahl reports on Sustainability and CSR topics in order to promote transparency and display the progress made. To make sure that it reports on the topics that matter, the Company uses a materiality matrix. This tool gives insight into the challenges faced by the Company and its stakeholders. In 2018, Stahl updated its materiality matrix (as per the guidelines of GRI, the Global Reporting Initiative) by reviewing the information provided in the materiality matrix of its important stakeholders. Internally, it reviewed the input for Stahl, with a team of experts (communication and sustainability), by checking the matrix we made in 2015. The outcome of the matrix is in line with what we had already reported.

Additionally the outcome is in line with the risk assessment that was performed in 2018 under the NFS.

### How to read the matrix

CSR and sustainability cover different themes. To keep a very wide view, Stahl has plotted the 33 economic, environmental or social aspects that are defined by GRI. Those that matter the most (highest impact), to both Stahl and our stakeholders, are communicated in the right top corner of the matrix. In the middle section we show the aspects that score medium. 'Other topics' are the ones that scored the lowest.



HR - Committed to maximizing the employee experience

### Employment

The total number of employees (headcount) at 2018 year-end was 1,997, which is a decrease of 76 employees compared to the end of 2017. The reduction is mainly connected to the complexity

reduction and Value Improvement project implemented in the Leather organization with the aim to reduce the business complexity grown significantly with major acquisitions completed in the last years.

The breakdown of FTE's (full-time equivalent) as of December 31, 2018 and the change compared to the prior year-end per region is as follows:

Region	31-Dec-18	31-Dec-17	Change
EMEA	962.5	974.9	(12.4)
Asia-Pacific	387.0	406.0	(19.0)
India and Pakistan	317.0	349.0	(32.0)
North and South America	305.6	318.6	(13.0)
	<b>1,972.1</b>	<b>2,048.5</b>	<b>(76.4)</b>

86% of Stahl's employees are on permanent contracts. Its workforce is 76% male and 24% female.

Total Full Time Employees (FTE) leaving (dismissals, resignations and other) during 2018 were 272 and 195 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 2018 was 10.58% compared to 14.2% in 2017.

The turnover rate (only resignations) in 2018 was 5.05% compared to 4.25% in 2017.

### Working Organization

Stahl operates through a complex international organization for historical reasons and also to effectively serve the customer base. Stahl has 13 manufacturing sites, 11 R&D centers, 38 application labs, 35 sales offices and 9 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 mornings. Working hours and incidents are recorded, depending on the site, by either electronic or manual systems.

All Stahl units report absenteeism (which includes absences for sickness and work accident) as required by local legislation but also in a way that can be reported at the corporate level.

The global absenteeism rate in 2018 was 1.70%, compared to 1.57% in 2017.

### Labor 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 consistency with local practices.

### Compensation

Total compensation excluding bonus, paid in respect of 2018 was €115 million, approximately 6.83% above 2017.

### 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.

### Individual training programs

Stahl has certain provisions regarding individual training programs. All employees that have worked for the Company more than four months are eligible to participate in external training programs individually or in teams. All trainings should consider what employees need and how they can learn best. This is why, Stahl encourages employees and managers to consider multiple training methods like workshops, e-learning, lectures and more.

### Corporate training programs

Stahl also defined a corporate training catalogue to train its employees.

Examples of this kind of training and development are:

- compliance, anti-bribery and anti-corruption and modern slavery;
- workplace diversity and inclusion;
- security Awareness and GDPR training;
- leadership (Management Training and Masterclasses);
- induction program for new employees;
- training teams in company-related issues (e.g. new systems or policy changes);
- training employees to prepare them for promotions, transfers or new responsibilities.

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 in 2018 was 22.3 hours per full-time equivalent (FTE) compared to 13.13 hours per FTE in 2017. The increase of hours per FTE is mainly caused by the launch of the e-learning programs: Anti-bribery and anti-corruption, Modern slavery, Workplace Diversity and Inclusion, GDPR training and Security Awareness training. Safety awareness campaigns are excluded.

### Equality

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 12 persons in this category, compared to 16 persons in 2017.

### Diversity

In 2018, Stahl published its Diversity and Inclusion Policy on its website 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 this will produce a more innovative and responsive organization. It also believes that there is much more to diversity than age, gender, race and cultural background. A diverse workplace includes people who can offer a range of different viewpoints and ideas.

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

In the third *quarter* Stahl launched an e-learning training focused on Workplace Diversity and Inclusion.

### Human rights, modern slavery, anticorruption

Stahl's Code of Conduct ensures that human rights and the environment are respected by those parties with whom we 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.

Late 2017, Stahl launched e-learning training programs focused on anti-bribery and anti-corruption and in 2018 on 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 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) received this training in 2018.

### Human Resources in Stahl

Stahl is an organization centralized around customers and that holds customers at the core of its commercial and entrepreneurial culture. New ideas and creativity are expected, learning is promoted, product, process, and administrative innovations are championed, and continuous change is viewed as a conveyor of opportunities. While having a global reach, Stahl acts on the premise: think global, act local. Partnerships are vital to us, as Stahl believes that working side-by-side offers the best chances to produce success stories.

The Stahl HR Team applies the concept that a new job is like a new journey for an employee and considering the world around us is changing at fast pace, increasingly unpredictable, impossible to analyze systematically and beyond accurate interpretation, the main purpose in the coming years will be to offer to the employee a great experience in Stahl.

HR is responsible for ensuring that the Company has the "right person" in the "right place" at the "right time" for today and tomorrow and support Stahl in creating responsible partnerships and to be the leader in its market.

The HR strategy adopted in 2018 is based on the following points:

- further develop and establish Stahl's culture and Stahl DNA;
- transfer knowledge and information within the Company;
- hire and develop people in line with current and future business goals;
- create an open, transparent and fair management style;
- focus on engagement, diversity management and equal opportunity;
- be a truly international team.

Considering the HR strategy defined, the project's focus in 2018 has been towards:

- 1 Transfer knowledge and information within the Company;
- 2 Hire and develop people in line with current and future business goals. In addition an analysis ("Attractive and talent retention") has been run to mitigate the risk ".

#### 1 Transfer knowledge and information within the Company

- **HR dashboard:** As part of continuous improvement, a new HR dashboard has been defined and implemented. "Management by figures" providing transparency on data is the basis for, allowing the Management Team to take proper and fast decisions;
- **Employee handbook:** The release of an employee handbook further supports the smooth transition into the new job as part of Stahl's HR strategy. Creating a harmonious, fair, employee and employer supportive workplace allows improvement of the level of engagement. The handbook introduces employees to our culture, mission and values. This helps to foster a sense of pride and belonging and ensures that key company policies are clearly and consistently communicated, demonstrating that the company strives to be compliant with these regulations every day.

#### 2 Hire and develop people in line with current and future business goals

- **Digital recruiting:** The way Stahl recruits its people has changed. Compared to just a few years ago, candidates now have far more power during the job search. Consequently, finding and hiring ideal job candidates, especially those with in-demand skills, has become extremely hard, expensive and time-consuming. The change of paradigm and technology brings new recruiting trends. Stahl has set an inbound recruiting strategy where Stahl proactively and continually attracts candidates with the goal to make them choose Stahl as their next employer, starting in this way to build a high quality candidate database for current and future needs. This new way of recruiting and selecting employees will be further supported by the implementation of a digital recruiting tool, connected with our Company website and Human Resources Management system. The objective is to streamline, simplify and automate the hiring process, making it faster and more efficient and compliant with the new General Data Protection Regulation (GDPR).
- **Performance development system:** Stahl asks employees to focus on performance development (long-term approach) rather than appraisal, teaches "People Leaders" to "inspire and empower" their teams and help employees set real-time priorities based on customer input, and, ultimately, increases speed and collaboration. In order to achieve these targets a new performance development

system has been defined based on the Company leadership model. This model identifies key behaviors for the success of Stahl's business and the professional maturity of people and its organization and it is strictly related to the corporate values. It supports the communication of expected results and increases the awareness of what is necessary in different phases of professional growth;

- **Learning management system:** The implementation of a learning management system has started with the objective to let employees choose and manage online courses and training programs and to assign courses directly to employees whenever needed. In particular, the aims are to:
  - track learning progress and measure performance,
  - speed up the onboarding process,
  - integrate social learning experiences,
  - organize department specific compliance regulations,
  - reduce learning and development cost and time,
  - show statistics of trained people for external auditing.
- **Global mobility:** Global talent deployment is about having the right people, in the right places and roles, at the right cost and for right length of time and results. At Stahl, the demand for global mobility is increasing rapidly, either as part of a personal development plans or for knowledge sharing & training of others. To create added value to the company's business, HR has created a long-term assignment policy. With this policy, HR aims to deliver consistent results for comparable assignment solutions.

## Safety, Health and Environment (SHE)

### Risk assessment

Stahl carried out a detailed review of its risk assessment and control policies in 2018, as part of the requirement of the new French law, the Non-Financial Statement (NFS), with regards to environmental, social, human rights and corruption risks resulting from its activities.

As a player of the chemical industry, Stahl has identified the risk linked to the health and safety of employees & contractors, including accidents, injuries, illness, exposure to chemicals. All its activities, policies, monitoring and reporting and trainings are aimed at creating a true safety culture (which is in fact an attitude) that results in zero injuries and accidents. Risks related to occupational health and safety, including:

- chemical contact or exposure to hazardous substances for health including volatile organic compounds (VOCs);
- risk of chronic (serious) illness linked to chemical exposure including volatile organic compounds (VOCs);
- slip, trip and fall;
- fatal and serious incidents.

By implementing the principles described below, and by using the latest state-of-the-art technology and processes, the gross risks of Stahl's operations are being mitigated and the risk for its employees, the community and the environment is minimized. This chapter reports on Stahl's health and safety performance.

### Safety, health and environment (SHE) policy

Stahl believes that the protection of health and safety of people and the preservation of the environment will be always considered its highest priority. This mindset (and policy) is rooted in the employee culture.

#### Health and safety

The key principles of the Safety and Health policy are:

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

Stahl's safety policy is linked to its business activities and operations by a management system establishing the need to:

- implement safety principles through process conception, facility design, operation specification and behavior of people;
- identify and assess all hazards;
- define safety measures to prevent incidents and accidents;
- define safety measures to limit the potential consequences of incidents and accidents;
- report and investigate all incidents, take the necessary actions & share and learn from them;

- monitor safety performance with metrics and indicators;
- audit and review hazards periodically;
- be open to improvements made available in the industry;
- ensure good practices in emergency response and crisis management preparedness;
- success in safety performance shall be celebrated and rewarded;
- consider safety responsibility as a mandatory individual responsibility to be spread throughout the entire organisation;
- people must contribute to continuous improvements in safety by making suggestions that, assuming they are aligned with the SHE policy, could be implemented.

### Stahl's SHE organization

All Local Managers and General Managers are responsible for implementing the safety 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.

Since 2017 Stahl has a Global SHE and Process Safety manager in charge of implementing the SHE policy and R20 (Road-to-Zero) program. This position implements the fulfilment of Stahl's SHE policy, including the changes of behavior and training required to support the highest possible standards of SHE. An enhanced reporting tool will be implemented in 2019. In this sense, in 2018 a Behavioral Safety Program was defined by Stahl and applied as pilot in Parets, one of the company's production facilities in Spain. The name of the program is R20 (Road-To-Zero) and the pillars are:

- a true safety culture defines an attitude in life, inside and outside the place where you work;
- a good safety record has been never achieved by a big effort of a small group of people, but by all the small efforts of a big group of people;
- potential consequences of injuries at work are mostly affecting people and their social network outside work;
- Stahl has defined a zero tolerance policy for unsafe behavior to ensure that people do not get injured at work.

Each site has a dedicated SHE Manager who is responsible to identify and assess the needs in the field of SHE and manage the necessary actions to ensure that the organization is pursuing the best practices in this field. Being a SHE Central figure does not mean in any way being the central responsible for SHE, as said, the responsibility in this field is distributed throughout the entire organization and there is no single job position without a certain degree of responsibility the area of SHE. The SHE Manager reports to the Local Manager and has the direct support from the Global SHE&PS Manager.

### Safety KPI's

The table below shows a stable rate in lost time injuries (LTI) in and the severity rate (SR).

### Work injuries

	2018	2017	2016	2015	2014	2013
LTI/Frequency rate of accidents with lost work time*	1.22	2.01	0.80	1.60	1.50	0.80
Severity rate of accidents**	0.0317	0.1025	0.0045	0.0380	0.0555	0.0097

\* LTI/Frequency rate calculation: (number of reported accidents that resulted in lost days > 1 day x 1,000,000\*\*\*)/(number of theoretical worked hours). Also known as Lost Day Rate (LDR). In 2017, Stahl changed the factor to calculate LTI 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.

\*\* Severity rate calculation: (number of lost days x 1,000\*\*\*)/(number of theoretical worked hours). The factor of 1,000 of the historical data has been restated (1,000 instead of 1,000,000 which was used in the 2017 registration document).

### Environmental footprint

As part of the NFS risk assessment, environmental risks were also identified:

- hazardous waste management;
- impact on water resources;
- greenhouse gas (GHG) emissions contributing to climate change;
- increasing demand and regulation for sustainable chemical products.

Stahl is focused on contributing to a lower environmental impact at our operations and for our customers and supply chain partners. As a result, the company has implemented policies, KPIs and targeted actions to mitigate the above mentioned risks.

With regards to environmental footprint of its products, Stahl is proactively engaged (in addition to legislative requirements) in initiatives focused on the elimination of certain chemical substances from the supply chain, e.g.: Zero Discharge of Hazardous Chemicals (ZDHC) and bluesign®.

### Reporting & SHE manual

Global Safety performance and KPIs<sup>(1)</sup> are reported and monitored monthly and annually. The Company tracks progress on safety indicators and reports different categories of injuries and incidents including lost time injury (LTI), 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 Safety reporting procedure is recorded in the Stahl SHE manual.

With regards to the environmental footprint of its own operations, the company is committed to global initiatives and frameworks, like The Paris Agreement (on reducing CO<sub>2</sub>), the UN Global compact, the UN Sustainable Development Goals and the Organisation for Economic Co-operation and Development (OECD). For reporting, Stahl implements the Global Reporting Initiative (GRI) guidelines.

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. Since 2015, it has placed a strong focus on the following environmental topics:

- CO<sub>2</sub> and energy;
- water;
- waste.

The CO<sub>2</sub> and energy highlight of 2018 was the installation of solar panels at the Stahl manufacturing site in Portao, Brasil with a capacity of 840 kW. The significant investment in this solar energy will result in an important drop in CO<sub>2</sub> emissions for the site in 2019, and it will supply approximately 50% of the electricity consumed at that facility. During 2019 the company will monitor the success of this project and make plans to introduce solar energy at its other manufacturing sites.

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



### Carbon Dioxide (CO<sub>2</sub>) emissions

Stahl recognizes that reductions in global CO<sub>2</sub> emissions will be required in order to achieve the goals outlined in the Paris Climate Accord established in 2015. Stahl has set an internal target to reduce CO<sub>2</sub> emissions by 10% by 2020 (using 2015 as a baseline). The company is considering new goals for 2030. Stahl's improvements in CO<sub>2</sub> emissions are driven by sourcing green energy at its European sites and by technology investments that lead to long term efficiencies at its manufacturing sites. In the longer term the company is investigating the generation of

renewable energy at its manufacturing sites, building on the success of the solar panels already installed at Stahl Brazil.

Stahl estimates and reports also on the scope 2 and 3 indirect emissions since 2017. Scope 2 emissions are indirect emissions from the generation of purchased energy. Scope 3 emissions are all indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions.

Below tables shows the different sources of CO<sub>2</sub> emissions calculated by Stahl, as per the Green House Gas (GHG) protocol.

### Carbon Dioxide (CO<sub>2</sub>) emissions

Scope 1	Scope 2	Scope 3
Fuel combustion		Purchased goods and services
Company vehicles		Business travel
Fugitive emissions		Employee commuting Waste disposal Use of sold products
		Transportation and distribution (up- and downstream)
		Investments
	Purchased electricity, heat and steam	Leased assets and franchises

In absolute terms Stahl has achieved a CO<sub>2</sub> reduction (in scope 2) because of its investment in renewable energy sources that have a lower carbon footprint.

	2018	2017	2016	2015
Scope 1: direct GHG emission (metric tons CO <sub>2</sub> -EQ.)*	17.114	16.915	16.924	15.569
Scope 2: electricity indirect emission sources (metric tons CO <sub>2</sub> -EQ.)**	7.119	8.984	18.595	17.759
Scope 3: estimation of the other indirect emission sources (CO <sub>2</sub> -EQ. X 1 million)***	560-590	560-590	500-530	No comparable data

\* 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. In 2018 new energy sources were included in the reporting (High Speed Diesel & Agri briquettes), that were also retrospectively added for 2015, 2016 and 2017.

\*\* 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. In 2018 renewable energy both purchased and self-generated, were added to the reporting tool, which explains the big drop in CO<sub>2</sub> in scope 2 in 2017 and 2018.

\*\*\* 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).

The below table shows the improvement of Stahl's CO<sub>2</sub> intensity over the last two years. CO<sub>2</sub> intensity means CO<sub>2</sub> emissions measured per production volume.

### CO<sub>2</sub> intensity

	2018	2017	2016	2015
CO <sub>2</sub> emission scope 1+2 (in tons)	24.232	25.898	35.519	33.328
Total production volume (in tons)	228.440	238.590	207.923	195.646
CO <sub>2</sub> intensity <sup>(1)</sup>	0,106	0,109	0,171	0,170

(1) CO<sub>2</sub> intensity: CO<sub>2</sub> emissions per production volume = CO<sub>2</sub> per tons produced = CO<sub>2</sub> scope 1 + scope 2/production volume.

### Corporate Value Chain (Scope 3) Accounting and Reporting Standard

In 2017 Stahl made its first assessment of scope 3 emissions as per the GHG Protocol Corporate Value Chain Accounting and Reporting Standard. This exercise is designed to understand the

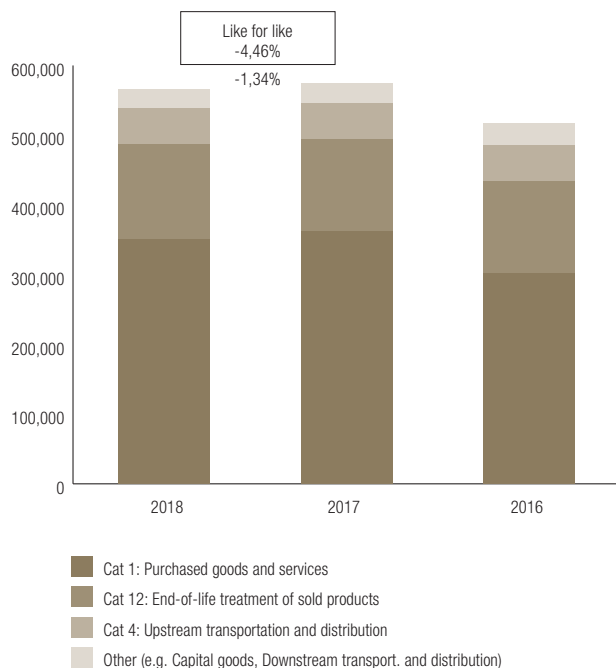
full value chain impact of its activities and will help to focus efforts on significant sources of GHG emissions. In 2018, it updated the material categories and the estimated CO<sub>2</sub> emissions.

### Scope 3 emissions per category

	2018	2017	2016
Cat 1: Purchased goods and services	62%	63%	59%
Cat 12: End-of-life treatment of sold products	24%	23%	26%
Cat 4: Upstream transportation and distribution	9%	9%	10%
Other (e.g. Capital goods, Downstream transport. and distribution)	5%	5%	6%
Total as reported in CO <sub>2</sub> -eq (x 1 million)	560-590	560-590*	500-530
CO <sub>2</sub> emission trend as reported	-1,34%	9,74%	
CO <sub>2</sub> emission like for like (excluding the impact of acquisition)	-4,46%	8,66%	

\* 2017 data restated, which has an impact of +50k CO<sub>2</sub>-eq in 2017, as a result of a onetime calculation error.

## Scope 3 emissions per category



## Results and mitigation

Purchased goods and services' (62% in 2018) and 'end-of-life treatment of sold products' (24% in 2018) remain the largest sources of indirect (scope 3) CO<sub>2</sub> emission. Both categories are related to the input and output of materials in the production process. Opportunities to reduce these emissions are:

- selecting (base) chemicals with a lower CO<sub>2</sub>-footprint;

- increasing biogenic content of the materials that are being used<sup>(1)</sup>
- increasing longevity of end products that could reduce lifecycle CO<sub>2</sub>-emissions of end products.

Transportation of purchased goods is the third largest source of scope 3 emissions.

Transportation of goods (Cat. 4) accounts for around 11-12% of Stahl scope 3 emissions. Based on the assumptions in the calculation of transport emissions, the major part of these emissions is air and road transport. Reducing these emissions could be achieved by:

- choosing a different mode of transportation. Road transport emits 10 times more CO<sub>2</sub>-emission per tkm than marine transport. Air freight emits 100 times the emissions associated with marine transport. In particular, Stahl is actively looking for ways to minimize air freight shipments in favor of marine transport;
- stimulate transportation with cleaner vehicles (e.g. select transporters based on their sustainability achievements such as Dutch "Lean & Green" star rating);
- reduce transporting small quantities of goods. During 2018 Stahl has consolidated its distributor network around the world, which means larger shipments to a smaller number of distributors.

## Energy

Stahl's energy consumption is the sum of electricity, gas, oil, steam, renewable briquettes and high speed diesel, consumed at their manufacturing sites (see below pie chart). Energy is reported as the total energy consumed in TJ and per production volume: the energy intensity. There are many energy efficiency projects underway. In 2018, Stahl included more energy sources (briquettes, high speed diesel and the split in renewable and traditional/grey electricity). As production volume decreased slightly in 2018 (ie: like for like), the energy per tons produced was flat in 2018 vs 2017.

## Energy consumption

	2018	2017	2016	2015
Energy (TJ)	380	390 <sup>1</sup>	319	305
Share of renewable energy*	34%	34%	-	-
Total production volume	228,440	238,590	207,923	195,646
Energy intensity (TJ)**	0.00166	0.00163	0.00153	0.00156

\* European sites and Portao have renewable electricity. In Portao we have invested in solar panels. In Kanchipuram, India the major part of the energy consumption is agri briquettes (mix of peanut shells and saw dust)

\*\* Energy intensity is (energy consumption (TJ) per tons produced) = energy (TJ)/total production volume.

Energy consumption is based on lower heat value (LHV).

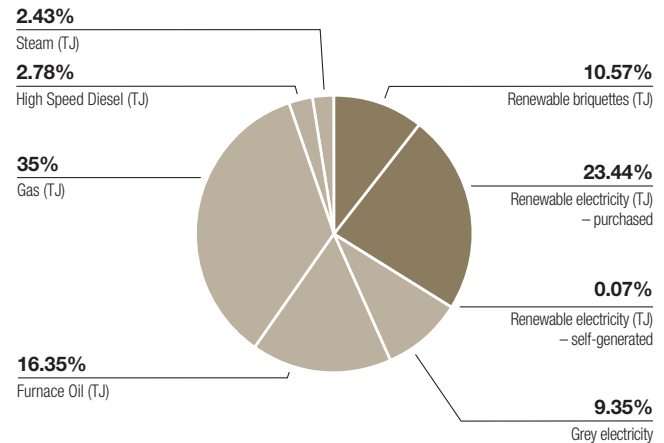
2017 energy in tj now also includes briquettes consumption by kanchipuram. This category was added in 2018. To show the trend in 2018 compared to 2017, we added this. Stahl included it to compare the 2018 and 2017 trends.

(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 sources**

The below pie chart shows the energy consumption, split between the different energy sources used in 2018 on manufacturing sites (Stahl added renewable energy, agri briquettes and high speed diesel were added). Stahl did not use coal. The main source is gas (34,66%) and electricity (33,03%), which partly consists of green electricity (34%). Renewable (agri) briquettes are made from renewable waste materials (peanut shells and saw dust).

Breakdown of energy consumption by source



Renewable briquettes (TJ)	10,57 %	40,14
Renewable electricity (TJ) - purchased	23,44 %	88,98
Renewable electricity (TJ) - self-generated	0,07 %	0,25
Grey electricity	9,35 %	35,49
Furnace Oil (TJ)	16,35 %	62,09
Gas (TJ)	35,00 %	132,90
High Speed Diesel (TJ)	2,78 %	10,57
Steam (TJ)	2,43 %	9,24
	<b>100 %</b>	<b>379,66</b>

**Water**

Stahl consumed less water in 2018 because production volumes were slightly lower but also because of efficiencies at the sites. Water consumed per tons produced decreased, so water efficiency improved.

Water consumption

	2018	2017	2016	2015
Water consumption (m <sup>3</sup> )	344,922	370,855	355,041	325,864
Other water use (m <sup>3</sup> )*	456,820	561,788	506,056	491,021
Total water used (m <sup>3</sup> )	801,742	932,643	861,097	811,093
Total production volume	228,440	238,590	207,923	195,646
Water intensity**	1,510	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 intensity is the amount of water used per tons produced = water consumption (m<sup>3</sup>)/total production volume (excluding Other water use).

## Waste

Disposal of waste is considered only as a last resort for Stahl and it has begun to regard waste more and more as a by-product, with value for other uses. It is also installing water treatment facilities at

manufacturing sites which do not have such facilities. This will effectively reduce the amount of wastewater (classified as hazardous waste) sent to third parties for treatment.

	2018	2017	2016	2015
Hazardous waste (tonnes)	10,962	10,538	9,48	6,570
Non-hazardous waste (tonnes)	1,807	1,584	1,476	1,276
<b>TOTAL WASTE (TONNES)</b>	<b>12,769</b>	<b>12,122</b>	<b>11,224</b>	<b>7,846</b>

	2018	2017	2016	2015
Waste water send to external treatment (tonnes)*	15,620	18,124	15,038	15,815

\* This indicator only represents the Stahl sites in Waalwijk and Toluca. Waalwijk= cleaning water of tanks. Toluca=waste water that is collected from the production plant (cleaning of tanks, reactors and equipment in general) and also services (bathrooms and showers). The other 9 sites have an on-site waste water treatment installation.

## Environmental provisions

As of the end of 2018, Stahl's environmental provision for land pollution are of €0.6 million.

## Low-impact innovative solutions

As communicated earlier in the report, Stahl carried out a detailed review of its risk assessment and control policies in 2018, in accordance with the requirements of the Non-Financial Statement (the NFS), with regards to environmental, social, human rights and corruption risks resulting from its activities.

Stahl identified a risk linked to innovation and the ESG performance of its products: the increasing demand and regulation for sustainable chemical products. With 11 R&D centers around the world, employing over 100 technical staff, Stahl's product research is aimed at providing high performance solutions that reduce environmental impact. This can be either by using renewable/bio-based raw materials in its own products or by designing products which will reduce the CO<sub>2</sub>, energy, water or toxicological footprint of our customers' products. It is a requirement that all new products developed by Stahl's research team must have a clear environmental benefit. The full integration, in 2018, of the BASF leather chemicals business product range has complemented this innovation drive.

- strong sales of the STAHL EVO products for coated materials and the Stahl NEO leather chemicals portfolio were important

commercial highlights in 2018. This growth is linked to the fact that these products are compliant with the Manufactured Restricted Substance List (MRSL) launched by the ZDHC Foundation (Zero-Discharge-of-Hazardous-Chemicals) in 2015, whose goal is to eliminate hazardous substances from the garment and footwear supply chains, by 2020;

- another example of significant sales growth in 2018 was in the Proviera® - Probiotics for Leather™ product portfolio. These products contribute to the reduction in the environmental footprint of the leather process, notably with regard to water pollution, by substituting synthetically produced surfactants by natural products made from a fermentation process;
- over 85% of Stahl's finishing and coatings-related products are currently water based. The policy of promoting natural and renewable resources as raw materials, has driven water based polyurethane research activities significantly in 2018. As a result, new bio-based polyurethane materials are being prepared for commercial launch in 2019, for promotion in the Performance Coatings, Leather Chemicals and Polymers businesses. 25% of Stahl's basic research is focused on projects specifically aimed at eliminating restricted substances from the supply chain;
- life Cycle Analysis (LCA) emerged in 2018 as a new element of innovation for Stahl, and the company has identified products and processes where the impact on the environment can be calculated, and reported, using established methodology. Stahl believes that LCA will be an important value-added service for its customers in the supply chain in the future.

## 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 we confirm the alignment of our strategy and operations with the universal principles of human rights, labor, environment and anti-corruption.

This also means that Stahl's activities are being aligned with the 17 Sustainable Development Goals (SDG's) announced at the UN General Assembly in 2015. Stahl's activities linked to the SDG's are listed below.

- poverty: In addition to local community philanthropy, Stahl is involved in wider industrial development in emerging regions with NGOs and governments. As an example, a Public Private Partnership between Stahl, Solidaridad and PUM that was launched in 2017, in Kanpur, India, is progressing well. Although the five-year project is focused on reducing water pollution, and its success will also have an impact on securing the estimated 400.000 jobs linked to the local leather industry in Kanpur, which is threatened by forced closures due to environmental pollution;
- good health: Stahl has committed to initiatives that will eliminate restricted substances from the supply chain, like the Zero Discharge of Hazardous Chemicals foundation, of which Stahl is a member since 2016;
- education: Stahl Campus® was established to promote good practices throughout the supply chain (see the section Education & Training). Stahl also actively promotes the safe handling of chemicals and conducts seminars on this topic in emerging regions. For example, in Q4 2018 the company held Sustainability Seminars on these topics at the 4 main leather manufacturing clusters in India. In 2018 Stahl Campus® was expanded to Kanpur, India, to support the water pollution efforts being made there;
- gender Equality: Stahl's Diversity and Inclusion policy was communicated in 2018;
- 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 focused on specific water pollution projects. The company has introduced effluent-reducing technologies like Proviera® - Probiotics for Leather™, Stahl NEO, Stahl EVO and Catalix® as well as water-reducing technologies like Easy White Tan®. The Public Private Partnerships launched in Kanpur, India and Ethiopia are also driven by a strong desire to reduce water pollution in the markets that the company serves;
- renewable Energy and Climate Action: Stahl's goal is a 10% reduction in CO<sub>2</sub> 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. 2018 emissions improved vs 2017 and the company fully expects the 2020 goal to be met. Beyond this, Stahl has begun to use solar panels at its site in Brazil as part of a longer term goal of sourcing from on-site renewable energy for its manufacturing sites;
- jobs, economic growth: The Public Private Partnership in Kanpur, India, is one example of its commitment to sustainable economic growth. The EU funded project aimed at promoting efficient technologies for the Ethiopian leather industry is another. Both projects are focused on reducing pollution which has a direct connection with securing sustainable economic development and therefore jobs for the local industries. Without such pollution control initiatives, companies in these sectors would fail and eventually be forced to close;
- reduced Inequalities: Stahl's Code of Conduct was implemented in 2015 and the Stahl Diversity and Inclusion policy was implemented 2018. E-training courses were conducted and completed by 1,200 employees during 2018 on data protection, bribery, corruption & modern slavery.

### Trusted Partnerships

The company is proactively involved in many sustainability related initiatives, like the Leather Working Group (LWG), the largest voluntary group in the leather industry. 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 is an active member of the Executive Committee of the Leather Working Group. The Executive Committee consists of four clothing/footwear brands (currently Wolverine, Timberland, Louis Vuitton and Clarks), four leather manufacturers and one chemical company (Stahl).

Stahl is an active member of the Zero Discharge of Hazardous Chemicals (ZDHC) foundation, and became a bluesign® system partner in 2017.

### Non-profit activities in emerging countries

- in 2018 Stahl launched a joint project in Ethiopia with several partners and NGOs, including Solidaridad and MVO NL, focused on pollution reduction in the tanning sector. Stahl's contribution to this project is training in cleaner technologies, via Stahl Campus® modules;

- Stahl's sustainability roadshows continued in 2018 and were held in 4 different cities in India. The seminars focused on housekeeping, chemicals management and clean technology for reducing water pollution in leather clusters. This year's attendance was high, with an average of 350 people for each seminar;
- a Public Private Partnership (PPP) between Stahl, Solidaridad, and PUM was launched in 2017, in Kanpur, India (see section Sustainable Development);
- 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 and we promote 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 Campus®)

Stahl is committed to filling the talent gap observed in some of the markets that we serve by actively seeking ways to educate and train university students, NGOs, brands, suppliers, distributors, customers and other stakeholders in the supply chain. Stahl Campus® is the global knowledge center established by Stahl to achieve this. Started in 2014 in Waalwijk (Netherlands) & established in León (Mexico) in 2015 and Guangzhou (China) in 2016, Stahl Campus® was extended in 2018 to Kanpur, India. The goal is to promote good practices and transparency throughout the supply chain by hosting trainees in Stahl's state-of-the-art laboratories to strengthen their knowledge via theoretical and practical training modules. Stahl Campus® is a key element of the company's strategy of promoting transparency throughout the supply chain.

In 2018, 780 people attended Stahl Campus® training courses around the world. Notably in 2018, a Post Graduate Certificate course was organized in Stahl Campus® Mexico - a six-week course developed in collaboration with the University of Northampton (UK), in which students receive an official PG Certificate in automotive leather finishing upon completion. We will launch the same course for a new set of students in 2019.

### Vigilance plan

Stahl's vigilance plan corresponds to the French law 2017-399 (March 2017) on Duty of Care. The vigilance plan identifies and

aims to prevent the risk of serious violations of human rights and fundamental freedoms as well as harm to human health, safety and the environment.

### Stahl's approach to Duty of Care

Stahl carried out a review of its risk assessment and control policies within the scope of the aforementioned French laws on Duty of Care. This review covered the risks linked to our employees, suppliers and customers/external markets. Stahl has adopted governance policies covering health and safety, environment, human rights in order to mitigate such risks. These policies are included in the risk mapping section below.

Stahl plans to set up a Vigilance team that includes HR, Legal & Compliance, Purchasing, SHE, Sustainability and Business directors, who meet twice a year to monitor the effectiveness of the Vigilance plan.

#### 1 Risks linked to human rights and the societal impact of Stahl's activities, e.g. forced labor, freedom of association, modern slavery, discrimination, diversity and inclusion.

Stahl recognizes that modern slavery, corruption, diversity and discrimination need to be eliminated from its industry at all levels.

#### Mitigating the risk:

- Stahl's Code of conduct for employees (introduced in April 2013) describes its commitment to a working environment where equal opportunity and respect are prioritized. The Stahl Employee Code of Conduct has chapters on modern slavery, conflicts of interest, business practices, data and IP protection, financial reporting and also outlines the whistleblower rules,
- the Stahl whistleblower policy allows employees to report suspicious behavior, by e-mail or phone, that could be in conflict with the Code of Conduct, with the necessary protection guarantee for the whistleblower in question,
- Stahl introduced a Code of conduct policy in 2015 for its business partners. Since 2018, it has been using a due diligence questionnaire to retrieve in-depth background information about the business partner upfront (including relations with government officials, lobbying, the role of the business partner). Additionally, it initiated the first supplier audits in 2018 as a means to mitigate the risks of non-compliance with the Code of conduct. The Code of conduct is also a standard part of all commercial agreements and contracts with third parties who do business with Stahl,

- both Codes of Conduct are discussed during the monthly Management Team and quarterly meetings with the Quarterly Executive Control Group,
- the company has implemented a separate policy on diversity and inclusion in the workplace (Stahl Group Diversity and Inclusion Policy). The policy commits to embedding equality, diversity and inclusion across the organization rather than viewing it as an abstract principle. Equal treatment is at the heart of the organization and Stahl believes that this will produce a more innovative and responsive organization. The company also believes that there is much more to diversity than age, gender, race and cultural background. A diverse workplace includes people who can offer a range of different viewpoints and ideas,
- consistent with its strategy of growing its leadership talent, Diversity and Inclusion principles have also been embedded within its core leadership development programs to encourage managers to demonstrate them as part of their leadership behavior. Stahl has also committed to build cultural intelligence and equality into its performance review, hiring and talent identification processes,
- in 2018 the company ran a series of online training courses, hosted by Thomson Reuters, to ensure that employees understand the issues of modern slavery, diversity, discrimination, equal treatment, sexual harassment etc., with regard to their own behavior and that of the company's business partners. To complete the e-learning training, participants are required to study the material and take a test at the end. Special attention is given to awareness in these programs, and to the red flags that can indicate non-compliant behavior in the supply chain. 1,200 employees (more than 50% of the total workforce) received this training in 2018.

## 2 Risks linked to the health and safety of employees & contractors, including accidents, injuries, illness, exposure to chemicals.

The risks in this category range from injuries to employees from slips or falls, to more significant accidents involving chemical spills, machinery operations or exposure to dangerous substances. These are well known in the (heavily regulated) chemical industry and Stahl holds itself to the highest health and safety standards in this respect.

### Mitigating the Risk:

- Stahl is confident that the residual risk specific to its own activities related to safety and health is low, given the highly regulated nature of the chemical business and additional actions taken by Stahl to mitigate these risks,

- the chemical industry is governed by strict legislation, permits and licenses. External organizations, including governmental bodies, ISO and many industry initiatives, visit and audit Stahl on a regular basis,
- Stahl has a strict SHE (Safety, Health and Environment) policy that sets clear rules, guidelines and KPIs for all its manufacturing sites and work places. With regards to safety Stahl has drawn up a zero tolerance policy towards unsafe acts,
- the Stahl Code of Conduct for business partners includes a health and safety section,
- auditing of Stahl sites is continuous and reporting on safety and health, including accidents and incidents, is done monthly and annually,
- training courses are held continuously throughout the company on chemicals management and handling of flammable materials,
- the use of CE certified equipment is mandated as well as associated training,
- Stahl has identified safety and health risks at customers who use its chemicals, and this also requires action for mitigation, given the potential harm caused by our products to people working at those organizations. Indeed many of its customers work in environments which are not as highly regulated as the chemical industry. Stahl has taken action, either alone or in conjunction with other peer companies and NGOs, to train users in these cases on (1) the safe use of chemicals, (2) the correct use of personal protective equipment, and (3) communicating clear rules on exposure prevention for potentially harmful chemicals. In addition to this, Stahl itself regularly hosts seminars around the world, for example in India, Pakistan and Bangladesh, which are attended by large groups of customers, which are focused on safety, health, environmental stewardship and sustainability in general.

## 3 Risks linked to protection of the environment, e.g. air & water pollution, water consumption, waste management, restricted chemical substances, climate change, biodiversity, local community impact.

These risks are linked to unplanned releases to the environment of hazardous materials from Stahl sites, as well as the risks linked to the environmental stewardship practices of its partners in the supply chain, especially those who use its products in their manufacturing operations.



Mitigating the risk:

- Stahl recognizes the challenges for the planet and has aligned its policies to the 17 Sustainable Development Goals agreed by the United Nations in 2015,
- climate change: in 2015, Stahl established a 5 year target for CO<sub>2</sub> emissions reduction (less than 10%). The company is likely to achieve that target in 2019. CO<sub>2</sub> emissions are reported each month, and in the annual Stahl Sustainability Report,
- Stahl's strict SHE policy covers the risks linked to spills or releases into the environment, including a dedicated spill team who are trained regularly,
- spills, releases, incidents and environmental KPIs (CO<sub>2</sub>, energy, water, waste) are reported and analyzed monthly,
- environmental stewardship in the supply chain: Stahl's corporate strategy is to initiate projects that promote transparency throughout the supply chain. This includes the promotion of responsible environmental practices in the industries that the company serves. As an example, Stahl is a

Board member of the Leather Working Group, the largest leather industry association. The Leather Working Group has developed an audit protocol for leather tanneries around the world in order to level the playing field and create a recognized standard for environmental stewardship. Stahl also hosts annual seminars in India, Pakistan and Bangladesh, attended by large groups of customers, NGOs and industry associations, during which safety, health, housekeeping and environmental stewardship issues are presented and discussed in detail.

## 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;
- the environmental performance indicators relate to Stahl's 13 manufacturing sites.

## Reporting scope - history for environmental data

Site	2018	2017	2016	2015
Calhoun	Y	Y	-	-
Graulhet	Y	Y	-	-
Hospitalet	Y	From October	-	-
Kanchipuram	Y	Y	Y	Y
Leinfelden	Y	Y	Y	Y
Palazzolo	Y	Y	Y	Y
Parets	Y	Y	Y	Y
Peabody	-	Before October	Y	Y
Portao	Y	Y	Y	Y
Ranipet	Y	Y	Y	Y
Singapore	Y	Y	Y	Y
Suzhou	Y	Y	Y	Y
Toluca	Y	Y	Y	Y
Waalwijk	Y	Y	Y	Y

Y=Yes, full year and - = not reported.

**Methodological limitations and uncertainties**

The reporting methods for certain CO<sub>2</sub> 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 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);
- indirect emission sources related to energy (in the form of electricity, steam, heat and cooling) are purchased from the grid or district (Scope 2). The source of its emission factors are:

- oil: 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 CO<sub>2</sub> scope 3**

Stahl reports its scope 1 and 2 emissions each year. Indirect scope 3 emissions have been quantified in 2017. Stahl worked with an external consultant to calculate its scope 3 CO<sub>2</sub> emissions for the year 2017 and to provide the company with a model to calculate its scope emissions on a yearly basis in the future, that was used for the estimation of the emission in 2018. This report contains a summary, which is required to report on following the GHG Protocol "Corporate Value Chain (Scope 3) Accounting and Reporting Standard (Chapter 11)".

**Standard**

Stahl's scope 3 emissions have been quantified based on the GHG Protocol "Corporate Value Chain (Scope 3) Accounting and Reporting Standard". This standard lists 15 sources of scope 3 emissions.

Category	Methodology
Cat 1: Purchased goods and services	Emissions related to raw materials have been estimated based on top 30 raw materials purchased, Top 15 chemical groups and top 10 types of packaging used.
Cat 12: End-of-life treatment of sold products	End-of-life emissions from sold finished goods have been estimated by assuming a carbon content of 80% and the assumption that all finished goods (i.e. coatings on leather) will be incinerated at the end of the product lifecycle.
Cat 4: Upstream transportation and distribution	Available transport data for Waalwijk, including information about weight, destination, type of transport (internal/external, paid for by Stahl or not) and mode of transport, has been extended to include estimations for travelled distance per destination. Distances by truck have been estimated using Google Maps.
	Intercompany trips were adjusted for by a correction factor of 50%. Extrapolation from Waalwijk data to Global data has been done based on the amounts (kg) shipped from Waalwijk versus amounts shipped globally.

For CO<sub>2</sub> eq emissions from scope 1, 2 and 3, there are uncertainties due to the intrinsic uncertainties from emission factors.

Stahl reports Scope 3 emission in a range of 30 million CO<sub>2</sub> eq, since indirect emissions are an estimated calculation as per the GHG gas protocol.

**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 resented to the well without any contamination, and thus does not contribute to water scarcity.

**Waste**

The waste indicator includes all hazardous and non-hazardous wastes generated by the 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.

## 3.2.5 Tsebo

### Introduction

**Tsebo overview and business model**

Founded in 1971 in South Africa as a food services company, the Tsebo group is now the leading workplace management solutions provider in Africa and the Middle East. Tsebo employs almost 40,000 people and operates on over 7,500 customer sites in 27 countries.

Tsebo's values are at the heart of its culture, and reflect the company's priorities;

- integrity: embrace highly ethical, moral and respectful behaviour, without exception;
- enterprising: seek opportunity, be responsive, strive for continuous improvement and nurture an entrepreneurial mindset;
- caring: caring for people, communities and the environment;
- diligent: be rigorous, efficient and dependable.

Tsebo offers to its clients (companies and organizations) a wide range of integrated including maintenance, facilities management, catering, cleaning and hygiene, energy management and security. Tsebo also specializes in remote camp services.

It operates in both the public and private sectors across numerous market segments such as financial services, resources, manufacturing, healthcare and service companies.

The following principles underpin the Tsebo brand:

- productivity: Tsebo manages functions that are not part of its customers' core business but that are essential to their operations. These services enable its customers to address the difficulties in penetrating African markets in all tranquility, reduce their costs, improve their profitability and focus on growing and developing their business in Africa;
- measurability: Tsebo supplies its customers with tangible, quantifiable solutions: lower costs, added value, adherence to quality standards, reduction of risk, clear sales terms and quality customer service;
- innovation: Tsebo encourages and develops innovation in all of its divisions so as to improve the quality of service provided to customers;
- social development: Tsebo strives to create economic and social value for African people and communities. The company collaborates with customers so as to help develop skills, rural enterprises, local small to medium enterprises and entrepreneurship. Tsebo fosters socially responsible investment initiatives and supports various charitable causes;
- sustainable development: By making sustainable development central to its business, Tsebo is attentive to environmental protection and to the interests of local communities and in this way, promotes collective well-being;

- governance and ethics: Tsebo embraces highly ethical, moral and respectful behaviour, without exception. Tsebo adheres to all applicable in-country legislation where Tsebo has operations. Tsebo has a commitment to time-honoured value of doing the right thing consistently regardless of the circumstance.

With their numerous service offerings, Tsebo is required to comply with an array of industry legislation and regulations, namely; the Occupational, Health and Safety Act, National Environmental Management Act, the Employment Equity Act and the Prevention

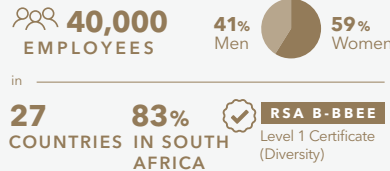
and Combatting of Corrupt Activities Act. The nature of the acts requires Tsebo to identify risk factors, assess them and implement the appropriate mitigation policies. The legal, compliance and risk divisions at Tsebo ensures the application and implementation of these processes.

In 2018, Tsebo, as a company with the Wendel group, put in place the provisions from the law on the Duty of Care.

The business model below describes the main activities of Tsebo.



RESOURCES



TSEBO SKILLS ACADEMY  
**22,400**  
 training interventions in 2018

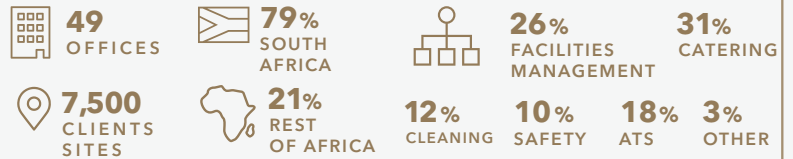
GLOBAL STANDARDS  
 Quality Management, Ethics, Health & Safety, Environment  
**ISO 9001, ISO 14001, ISO 22000, OHSAS 18001 HACCP**

INNOVATION:

Waterless cleaning, improved environmental packaging, energy-saving across divisions to minimize electricity usage and GHG emissions and digitization of applicable functions

SALES

BREAKDOWN OF SALES

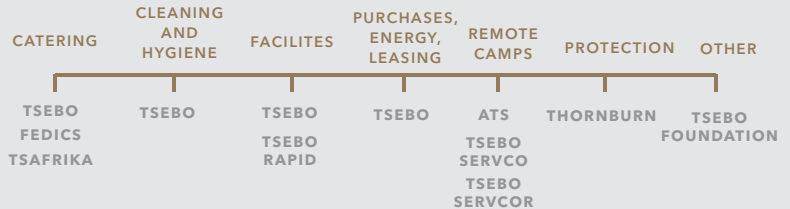


SECTORS SERVED

Oil and Gas - Mining and Resources - Corporate & Financial Services - Manufacturing - Healthcare - Education - Leisure & Entertainment - Retail & Wholesale - Public Sector

**90 million**  
 MEALS SERVED PER YEAR

DIVISIONS AND BRANDS



PURCHASES

PRODUCTS

- |                            |     |
|----------------------------|-----|
| 1. Food and beverage       | 55% |
| 2. Hard & soft services    | 30% |
| 3. Light & heavy equipment | 10% |
| 4. Cleaning and hygiene    | 4%  |
| 5. Automotive              | 1%  |

LOCAL IMPACT

Percentage of expenditure allocated to local procurement:

- 99% in South Africa
- 97% in the rest of Africa

COMMUNITIES

Tsebo supports people or groups identified as Previously Disadvantaged. These include women, youth and people with disabilities.

FLAGSHIP PROJECTS

TIRHANI FOUNDATION

SIYAKHULA INITIATIVE

PHAKISO ENTERPRISE & DEVELOPMENT PROGRAMME

NET SALES

**\$618m**

MISSION

“Provide our customers with integrated business services solutions that help them succeed, while creating development opportunities for our people and our communities.”



VALUES

- Diligent
- Enterprising
- Integrity
- Caring



VISION

To be the Africa Middle East Leader in integrated Workplace Management Solutions

**Non-financial statement: methodology**

The non-financial statement (NFS) requires the performance of a risk assessment. Tsebo considered which risks were inherent to their environment both from an operational, financial and compliance perspective. They assessed these risks by evaluating the financial and non-financial impact and the likelihood of occurrence. Tsebo considered previous incidents and associated risks that were faced in the business over the last few years in the determination of the relevance of selection.

In this exercise, internal consultations with the human resources, compliance, legal, health and safety at work, and purchasing departments were conducted. These assessments were done at a Group level for South Africa.

Tsebo was subject to the various South African and regulations before the French non-financial performance disclosure was implemented and had already rolled out policies and procedures in place to mitigate its risks.

The top nine risks were identified as follows:

<b>Risk</b>	<b>non-financial issues</b>
■ Labour claims following unfair labor practices;	■ Labor relations
■ Not adhering to the employment equity requirements and the developmental requirements from the Employment Equity Act;	■ Diversity and Discrimination
■ Lack of adequate training on the correct topics for employees;	■ Training
■ Lack of safe work practices resulting in employees occupational injury and death;	■ Occupational health and safety
■ Injuries and diseases of customers due to food borne diseases, caused by unsafe practices;	■ Health and safety of consumers
■ Nutritional options in healthy food not being addressed;	■ Nutrition
■ Doing business with a supplier that does not adhere to Tsebo's values in terms of health, safety, the environment, anti-corruption and anti-bribery (ABAC) and human rights;	■ Responsible procurement
■ Failure to prevent corruption or bribery;	■ Anti-bribery and Anti-corruption
■ Inadequate food management processes and practices resulting in high levels of food wastage;	■ Food wastage

Due to the nature of its activities (catering, cleaning, facilities and security services), Tsebo considered that the topic "Consequences of the company's activities and the use of products and services produced on climate change" does not represent a material non financial risk and does not need to be developed in this document.

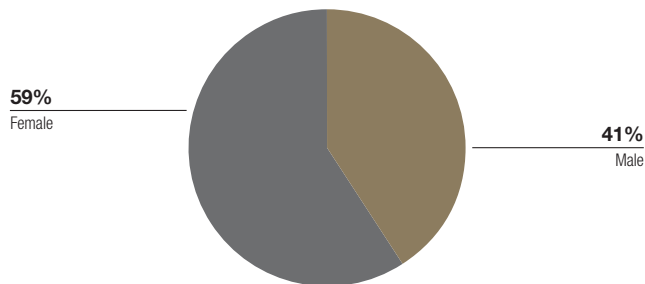
During 2018, Tsebo employed almost 40,000 people across the continent of which 83% were based in South Africa. The workforce has a high percentage of female employees at almost 59%. During 2018, Tsebo employed 14,565 new employees. Tsebo's hiring rate for 2018 was 38%.

**Social**

Tsebo recognizes that the sustainable growth of the business depends on the quality of its corporate governance, the professional development and engagement of its employees, proactive management of risks and sound partnerships that are built with customers and local communities.

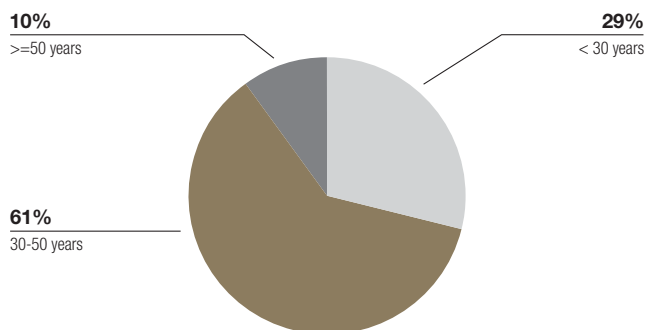
	2018	2017
Total headcount	38,674	32,355
South-Africa	32,827	32,355
Other countries	5,847	Data not consolidated for 2017
% female	59%	61%
Hires	14,565	Data not consolidated for 2017

### Headcount by gender



Tsebo actively supports the employment of youth. 29% of the workforce is younger than 30 years of age. Most of Tsebo's workforce, 60%, is between the ages of 30 and 50 years.

### Breakdown of personnel by age bracket



Tsebo is subject to local labour legislation and complies with all legislative and regulatory requirements. To this end Tsebo has developed and rolled out mandatory proprietary standards on the management of employees. These in-house standards concern in line with the expected skills, diversity and inclusion, employee performance and reward, training and the optimization of organizational design and workforce.

### Labor relations

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. It is the result of many years of efforts, forecasts and planning. Since then, Tsebo has obtained this maximum rating every 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.

Tsebo strives to engage its employees by promoting open dialogue with employees and trade unions. There are several human resource policies such as disciplinary procedures, grievance procedures and guidelines governing contract transfers. Tsebo expects managers to comply with these policies and to ensure a monthly review of compliance.

Claims related to the Labour Relations Act are closely monitored. Tsebo requires its suppliers to follow the principles and procedures regarding labour relations. Supplier Agreement contains clauses that set this out.

Tsebo has a stringent Disciplinary Codes Handbook that governs labour relations within Tsebo. Tsebo applies the requirements of the Bargaining Council for the Contract Cleaning Services Industry.

### Diversity and discrimination

Diversity is also essential to the success of Tsebo, which hopes to have a talent and skills pool that can permanently enrich its operating excellence for the benefit of its customers. The challenge consists in attracting and earning the loyalty of the best candidates, and in providing them an environment that allows them to realize their full potential.

Tsebo is aware of the importance of keeping its Level 1 status of Broad-Based Black Economic Empowerment (BBBEE), a South African affirmative action program. This rating contributes to its reputation as a company that respects South African regulations on diversity the same as strict compliance with the Employment Equity Act (EEA), in particular with respect to training. Offering employees a working environment that promotes integration of each person not only increases employees' commitment and productivity, but it also strongly contributes to the quality of the Tsebo employer brand. In South Africa, Tsebo again obtained a BBBEE Level 1 certification in 2018. Different departments are working in close collaboration, in order to ensure that Tsebo keeps the certification since it is a significant differentiation factor in South Africa.

Tsebo has a Group wide Employment Equity Policy and Procedure that is applicable in all geographical locations that Tsebo operates in. The Procurement department completes its Supplier

Agreements with a clause relating to Tsebo's requirement for suppliers to adhere to the EE Act.

### 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 programs 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.

In 2018, The Tsebo Skills Academy training team had 29 instructors, and provided more than 22,000 training sessions. It also supervises twelve-month learning modules for 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. This system also gives the right to financing of training costs, in the form of a grant awarded by the SETA. For this, Tsebo must provide the SETA with a report entitled "Workplace Skills Plan". Tsebo carried out 6 SETA audits during the year.

The training that was offered covers all aspects of the business spanning all divisional requirements. The vast majority of training was entry level skills *i.e.* cleaning, hygiene, health and safety and customer service. Tsebo also provided Management Development programs both internally and through Tsebo's 3 level Management Development Program, which was conducted externally through leadership programs at the Gordon Institute of Business Science (GIBS), in Johannesburg.

Online training modules are available since 2017. Tsebo now offers over 100 modules on entry level refresher programs. The number of employees utilizing OLT rose from 371 employees last year to roughly 8,000 in 2018 and Tsebo foresees this number growing substantially year on year.

Training expenditure spend during the last year rose from R73.6 million to R82 million and the BBBEE score on Skills Development increased from 15.23 to 16.69 out of 25. This score was calculated by looking at amounts devoted by Tsebo to training spent on black people against a target of 6% of payroll, further points were allocated to the spend on for training people with disabilities. The third indicator was the number of black Tsebo employees has on formal accredited courses for both Tsebo employed and unemployed people. The final indicator was for the number of people previously unemployed that were hired by Tsebo after having completed this formal training. The score increased from 2017 due to the increase in spend and number of people trained.



## Health and Safety

### Occupational health and safety

Tsebo has a Group Compliance Officer and various other compliance officers around the Group. Within this organization, Tsebo wanted to set up a centralized excellence center for compliance, health and safety covering the legislative issues that apply 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, behavior and procedures.

Tsebo strives to create and keep a safe and healthy work place with adapted training and by providing its employees with the equipment, tools and procedures necessary to carry out their duties.

To enforce Tsebo's strict health and safety standards Tsebo has a team of 47 Safety Health Environment and Quality Officers (SHEQ Officer), and a health and safety representative on each site for the Catering, Cleaning and Facilities Divisions. Tsebo has over 300 safe working procedures and good management practices which are supported by pre-use checklists and quality assurance documents that are required to be completed in order to adhere to the legislative and regulatory requirements in the Catering Division. Tsebo's Cleaning Division has Safe Operating Procedures to guide employees to comply with legislation and regulations. Tsebo has the following International Organization for Standardization (ISO) accreditations at some of the sites, ISO 9001 - Quality Management System; ISO 14001 - Environmental Management System; and OHSAS 18001 - Occupational Health and Safety Management System.

The aim for 2019 is for Tsebo to be certified for the new ISO 45001 Occupational Health and Safety Management System, which replaced OHSAS 18001.

## Work-related accidents

Details	TFS		Catering		Cleaning		Security	
	2018	2017	2018	2017	2018	2017	2018	2017
Number of accidents with lost time	15	21	32	19	13	6	12	11
Number of days lost due to an accident	97	38	167	118	47	96	70	340
Lost Time Injury Frequency Rate (LTIFR)	5.184	7.647	1.758	0.911	0.420	0.274	0.801	0.900
Severity rate of accidents (LTISR)	6.467	1.810	5.219	6.211	3.615	16.000	5.833	30.909

In the Security Division, Tsebo has a National Responsible Person (NRP) as required by the South African Firearms Control Act. The National Responsible Person is mandated to manage the firearms of the business, and to ensure the correct firearm safety measures and controls, found in the Firearms Control Policy, are in place. A number of registers needs to be completed by all sites that have firearms, the NRP ensures on a regular basis that these registers are kept properly.

With the deployment of an intranet called TseboNet, the compliance division is now able to raise employee awareness about safety efficiently and comprehensively at a weekly rate. The "Toolbox Talks" weekly newsletter is an ongoing feature to promote health and safety good practices. To promote vehicle safety Tsebo has the vehicles safety cardinal rules and records the number of motor vehicle incidents each month in order to measure the effectiveness of its rules.

### Health and safety of consumers

Tsebo subscribes to the principle that every staff member and patron has the right and obligation to challenge and report

behaviours and situations that could impact the health and safety of consumers.

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.

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.

In 2018, 667 Tsebo Catering sites were audited for food, health and safety. Annual Hazard analysis and critical control point (HACCP) checks at each catering site that is HACCP accredited. These are done to mitigate the risk of a consumer falling ill from the consumption of food prepared by Tsebo. The results of food audits are sent to the Group Dietician for evaluation, any concerns are raised immediately with the senior management of Tsebo and are addressed to avoid any potential harm to consumers.

## Society

### Nutrition

Tsebo is committed to providing food that is safe, wholesome, nutritious and of excellent quality that meets the expectations and nutritional requirements of clients and customers.

Tsebo's nutrition goals are premised on the UN's sustainable development goal 3 of "Good Health and Well-Being" which strives to promote wellbeing for all to ensure healthy lives.

With this in mind, Tsebo's PURE program offers modules created and approved by professional dietitians. Their objective is to inform consumers on the healthy eating concepts and to help them integrate these concepts into their eating habits. Tsebo's objective is to serve balanced meals with less fat, sodium, and nitrates with more fiber and micronutrients. To do this, Tsebo emphasizes the use of healthier ingredients and methods for preparing and cooking food that are based on nutrition.

These principles were also applied in hospitals where all of the menus are analyzed and approved by certified dietitians and featured the logo "Dietitian approved".

In schools, a unique food concept called SmartChoices has been put in place. SmartChoices is a nutritional and educational

program aiming to promote in schools healthier and more balanced meals adapted to the needs of growing children. By introducing the SmartChoices program, Tsebo imposes itself as a leader in this market segment.

Thanks to a very complete canteen nutritional offering, meeting the specific needs of all its different customers, Tsebo has developed a competitive advantage and reduces the risk of losing customers for not having met the growing demand for healthier food, especially in schools and hospitals.

### A strong commitment to local communities

Tsebo is a responsible, ethical organization that cares about its stakeholders: staff, customers, clients, communities, shareholders and the environment. Tsebo realizes that investing in the people is one of the most important building blocks for sustainable development.

The below infographic showcases initiatives in favor of the group's communities, which have not only contributed to the company's ESD and SED BBBEE scorecard but have also improved the lives of the people in the areas in which Tsebo and its clients operate.

# Uplifting and Supporting

While we support worthy causes that aid society's most vulnerable, our philosophy and the true strength of our social outreach programmes is in creating a meaningful difference through investing in people and developing sustainable local skills.

SKILLS DEVELOPMENT

YOUTH EMPLOYMENT

JOB CREATION

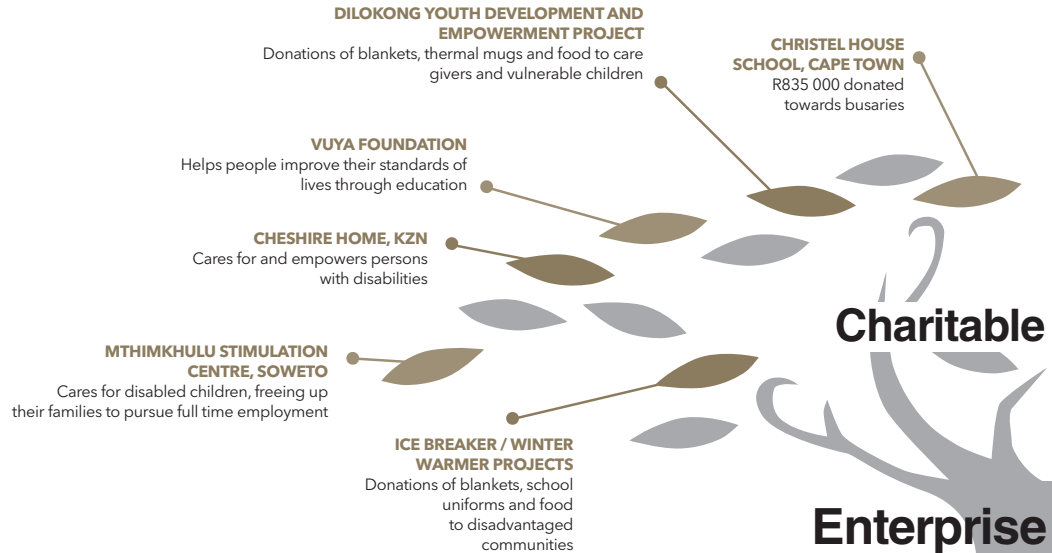
SMME & RURAL ENTERPRISE DEVELOPMENT

ENTREPRENEURSHIP SUPPORT



CEA Programme

Fasenda Mizimo Farm Project, Mozambique



- Provides support for agro-business activities
- Technical and professional development training programmes
- Workshops for local community suppliers linked to our supply chain
- Assists catering and hospitality students through internship programmes

**KIBALI, DRC**  
We used to import over 97% of our inputs. There were only 2 certified suppliers from local communitie

<b>2018</b>	Impacted Community & Local Supply = USD 38,288,864 Representing 92% of total procurement for the period	380 certified impacted community suppliers	3,992 people trained	3,481 employees from local communities 75% of project work force
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**USD 60,000 INVESTED FOR INITIAL SETUP**  
For EVERY HECTARE under irrigation, we create TWO PERMANENT JOBS

Training farmers and small growers in simple, effective and proven farming methods.  
CB Farm Fresh, who buys the produce, feeds between 10,000 and 15,000 people per day. Whereas before, they were importing 90% of their produce, now the ratio is reversed.

<b>Komesho Culinary Academy, Namibia</b>	Equips youths with experience and skills in catering and hospitality
111 previously disadvantaged youths trained	N\$ 3.3 MILLION INVESTED

TRANSFORMING

# Local Communities

In every country of operation, we strive to enhance community potential by partnering with local communities through a participative approach that integrates them into our value chain and creates strong, quality local suppliers.



## Section 21 Non-Profit Transparent Outlet For Co-ordinated Corporate Social Outreach

- Establishing SMME suppliers in rural areas
- Supporting nominated charities
- HIV and Wellness programme
- Partnering with clients in connected CSI programmes

**2018 SPEND  
=  
R6.1 MILLION**

### SIYAKHULA INITIATIVE

Sustainable enterprise creation and community involvement

### PHAKISO ENTERPRISE & DEVELOPMENT PROGRAMME

Provides SMMEs with the skills they need to grow



### Advances The Development Of Black Women

Development and transformation by tapping the potential of women to remedy social-ills

Focused on Education, Health, Rural Development & Upliftment, and Entrepreneurship

## Initiatives

## Development

### ZENZELE CUTLERY PACKAGING PROJECT, KZN

Job creation initiative for people living with disability

### JAKARANDA CHILDREN'S HOME, PRETORIA

Looks after abused children

### ST LUKE'S HOSPICE, CAPE TOWN

Cares for patients facing life threatening illnesses

### GOLF DAY FUNDRAISING

R115 000 donated to hostels  
R50 000 raised for university student food bursaries

### PASA WORLD AIDS DAY PROJECT

As part of a project to teach children about the environment, we gave children soccer balls which they had to fill with plastic in order to make usable.

BY 2016

45 certified suppliers

82% of supply procured from local communities = USD 2,838,472

98% of workforce from local communities

200 jobs created

### DIALLO AND BUTCHERY, BURKINA FASO

- Operating conditions posed Health, Safety and Environmental (HSE) risks
- We build a modern and well-equipped structure.
- Internship programme for kitchen staff on basic food safety and hygiene
- Butchery now benefits from the PCSA government initiative
- Annual turnover was \$5,600 to \$100,000 in 3 years.

USD 11,330,790  
this represents 35%  
of total procurement

### AQUAFARMING

- Training in fish production
- Renovates and restocks ponds
- Zambia: we used to import USD 1 million in fish, now established fish farms are replacing imports
- Ghana: a participant increased production from 40 kg to 150 kg per week (+73%)

- 100 farmers trained
- 10 irrigation farmers who we buy from
- Indirectly supporting 600-800 small farmers.

In 2016

### TRAIN 100 IRRIGATION FARMERS

### Leather Works Project, Namibia

Identified women from Tutungeni Township to receive extensive six-month training in leather works.  
Now manufacture a wide range of leather goods, training more women and exhibiting at trade fairs countrywide.

N\$  
317,000  
INVESTED

## LIVES AND COMMUNITIES

**Procurement**

Tsebo centralizes the procurement of all its divisions to manage supply chain continuity and supplier relationships. It uses a digital platform called MyMarket. In 2018, a total of R3.8 billion was spent across categories such as food and beverages, hard and soft services, vehicles and cleaning consumables and equipment.

All trade suppliers contracted by Procurement were furnished with Tsebo's ABAC; health and safety and code of business conduct and ethics policies to meet Tsebo's minimum quality standards required by Tsebo for goods and services supplied. Supplier agreements include termination clauses in the event of non-compliance with Tsebo's values in terms of anti-bribery and corruption; health and safety, the environment and human rights and modern slavery practices. 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.

The supplier monitoring program further requires suppliers to submit formal undertakings annually in the form of supplier compliance warranties (ABAC and HSE).

Third party audits may be commissioned in case of allegations of a breach in specifications. In 2018, through the enforcement of Tsebo's ABAC, HSE, Code of Business Conduct and Ethics and BEE policies, all of which are incorporated in the supplier agreements, the following results were recorded for external suppliers across all spend streams that submitted their formal undertakings:

	2018	2017
Number of principal suppliers	183	206
% of principal suppliers who signed <sup>(1)</sup>		
■ the anti-corruption undertaking	80 %	66 %
■ the SHE undertaking HSE	81 %	71 %

(1) The main suppliers are suppliers who, taken together, represent 80% of Tsebo's purchasing expense.

In South Africa, procurement is regulated in the Constitution. As such, the Preferential Procurement Policy Framework Act imposes regulations on government and businesses to correct the socio-economic imbalances of the past by awarding work to individuals and small enterprises disadvantaged by historical practices. The regulation stipulates that the procurement process must be equitable, transparent, fair, competitive and cost-effective for the firm. In 2018, a maximum progress score of 107% was achieved for preferential procurement due to the bonus points gained for procuring goods and services from designated suppliers.

For fiscal 2019 Tsebo will progressively build a supplier compliance audit program to verify compliance to ABAC, health, safety, environmental and human rights standards.

**Anti-Bribery and Anti-Corruption**

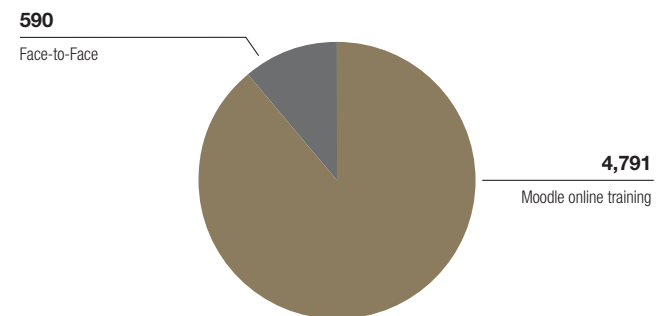
Tsebo has a zero-tolerance policy when it comes to fraud and corruption. Tsebo has implemented a Code of Business Ethics and an Anti-Bribery and Corruption (ABAC) policy modeled on the UK Anti-Bribery Act. In 2018, employees were asked to expand their knowledge of the rules of Tsebo's Anti-Bribery and Corruption policy.

To do this, Tsebo launched the first online ABAC training via Moodle, its digital platform. For the employees who do not have access to this due to the nature of their jobs, face-to-face courses

have been organized. The breakdown of training sessions is presented below:

**ABAC Training**

(in number of employees)



Tsebo was able to regularly refresh employees understanding of the Anti-Bribery and Anti-Corruption requirements through the training and various other platforms like the "From the Compliance Desk" mailer sent by Group Compliance. Further information was posted on the TseboNet compliance page to increase awareness and through compliance newsletters.

The tip-offs anonymous hotline continues to run efficiently with Tsebo extending the scope to include tip-offs relating to any human rights violations or environmental damage. The tip-offs were received by the risk, compliance and legal divisions to assess

the validity of the information provided and to send notification for a need to further investigate to the relevant division.

Employees who wish to report a breach can choose to either call, SMS or email their tip-off. Employees who do not necessarily wish to remain anonymous may also contact the compliance, audit and/or legal divisions.

Tsebo developed and published a comprehensive set of policies and procedures to ensure that employees remain vigilant and to avoid the risk of employees not being aware of the procedures in place to guide them in situations that lead to soliciting or receiving a bribe and/or engaging in a corrupt activity. These policies include Anti-Bribery and Anti-Corruption, Gifts and Tsebo's Code of Ethics and Good Business Practice, all policies were attested to by employees. To ensure that corrupt activities were reported, tip offs anonymous posters were displayed at all sites and head offices, these posters give employees and customers detailed information on how to report any irregularity. All the reported incidents were tracked by Deloitte, who produced monthly statistics reports.

## 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.

However, aware of the importance of this issue, Tsebo applies an environmental policy and a number of good practices concerning waste management, the use of chemical products, etc.

Tsebo most material environmental risk relates to organic waste.

Tsebo has recently changed waste removal service providers from Binclean to Don't Waste, in an effort to reduce the quantities of waste to landfill in this year from the current average of 80% to well under 40%.

Tsebo is in the process of moving away from the use of the compactor on sites and will introduce a sorting table and wheelie bins at sites. This will also provide a higher level of sorting on site and reduce the waste to landfill.

Currently efforts are in place to reduce wet waste sent to landfills. This will ensure that all wet waste produced by the canteen will be turned into compost. Tsebo aims to introduce sorting bins inside certain buildings at the lunch areas to promote sorting at the source and reduce contamination of recyclable waste, with the aim to introduce this practise at all canteens.

## Food wastage

Tsebo recognises food wastage as a risk to the environment and in order to mitigate this, Tsebo has launched a pilot program. Tsebo has coupled with an NGO at one of the sites to test the feasibility of distributing excess food. The company has also developed a food wastage policy which sets out the procedure to be followed for food distribution at other sites.

In addition, meal specifications and portion control are carefully monitored in the Tsebo catering environment to ensure compliance with client contractual requirements, cost efficiency and food waste reduction.

## Vigilance plan

### Introduction

In accordance with Article L. 225-102-4 of the French Commercial Code, the vigilance plan aims to set out the reasonable measures of vigilance put in place within the Group in order to prevent violations of human rights and fundamental freedoms, health and safety and the environment. These provisions also apply, directly or indirectly, to the activities of subcontractors or suppliers with which Tsebo has an established commercial relationship based on its business.

Tsebo is constantly developing management practices to ensure that it can provide an exceptional customer experience with solid commercial outcomes in line with the principles covered by Duty of Care. With each new service line, region, client and operator, Tsebo endeavors to manage its risks as proactively as possible.

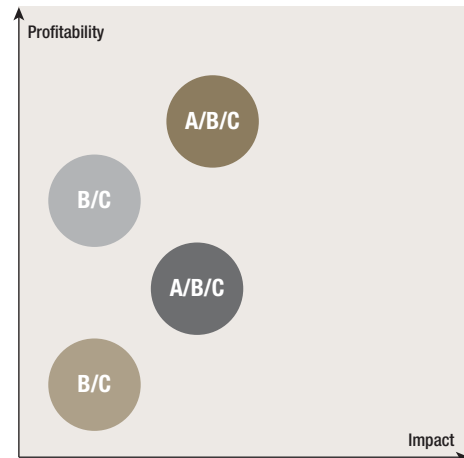
### Summary

Tsebo's vigilance plan is based on the five main obligations set out in the law on Duty of Care. Each of the legal obligations is part of the plan below. The plan was developed in collaboration with all of the stockholders involved in the group's activities in order to conduct a relevant analysis of Tsebo's risks in the matter.

The human resources, compliance, legal, health and safety at work, and purchasing functions were involved in the development of the Tsebo plan.

The risks are described in a risk matrix according to the probability and the impact of a breach with respect to the relevant risks for Tsebo.

## Risk matrix map



### RISK CATEGORIES

- A – Strategic
- B – Operational
- C – Compliance
- D – Financial

### THEME TOPICS

- Humans rights & fundamental Freedoms
- Health & Safety
- Environment
- Compliance with Duty of Care

### Risk mapping linked to the Duty of Care aiming to identify, analyze, and rank the risks

Over the last 2 years, Tsebo has regularly conducted various risk assessments and awareness campaigns around the themes of Duty of Care.

As part of the work on the Duty of Care, preliminary analysis work was carried out to identify, on the one hand, the significant risks, the existing mitigation measures, the systems of control and training needs and, on the other hand, as needed, the necessity to supplement the existing systems. This work results in the distribution of specific questionnaires and a series of dedicated interviews with the persons responsible for the purchasing, human relations, health, safety and environment functions.

At the conclusion of these analyses, Tsebo deemed that it would be appropriate to put in place an action plan complementary in the case of risks related to data privacy and an action plan for the protection of personal information role out has been scheduled for the fourth quarter of 2018 and will take 18 months to implement group-wide.

The risk mapping was done at group level and the action plan for the risk identified is applied at group level with a universal approach to the application of the mitigating actions. Minor adjustments will be made per country as Tsebo aims to adhere to the most stringent requirements for each risk.

The risks were classed into themes and assessed in relation to the relevance to the stakeholders and the business.

Duty of care : risk matrix



**Subsidiaries, subcontractors, suppliers, procedures for assessing Procedures for regularly assessing the situation of subsidiaries, subcontractors or suppliers based on the risk mapping results.**

Tsebo regularly evaluates the persons and organizations with whom it maintains business relationships. These evaluations enable Tsebo to better understand the practices of its suppliers, subcontractors, and subsidiaries and to make sure that the practices of these third parties are compliant with the requirements of the Duty of Care.



### Stakeholder engagement



A new supplier risk assessment has been implemented by the procurement division. Based on the assessment, a list of suppliers who meet the criteria will be chosen each year. Due diligence will be performed if a potential risk is identified. Yearly audits will be

conducted on existing suppliers to check that they have put the appropriate measures in place. The procurement division has put forward a plan to hire two resources in order to conduct supplier due diligence.

### Subcontractor and Supplier Due Diligence



**Appropriate actions to mitigate the risk to prevent serious harm**

Mitigating actions included:

- code of conduct;

- dedicated operational procedures;
- dedicated training;
- KPIs.

**Tsebo Group HR Standards Framework**

Recruitment	<ul style="list-style-type: none"> <li>■ Fair and transparent recruitment processes compliant with regulations</li> <li>■ Approval to recruit as per Group HR matrix</li> <li>■ Recruitment agencies/brokers as per agreed policy and Group HR matrix</li> <li>■ Competent recruiters per division</li> <li>■ Psychometrics administered by qualified person</li> <li>■ All vacancies published internally on the Tsebo career site</li> <li>■ Senior management recruitment centralized</li> <li>■ Compliance with screening and vetting matrix</li> <li>■ Documented contract of employment</li> <li>■ Compliance with Temporary Employment Policy</li> <li>■ Adherence to the employer brand (EVP) principles</li> <li>■ Local legislation compliance</li> </ul>	Diversity and inclusion	<ul style="list-style-type: none"> <li>■ Diversity and inclusion performance and duty of care risks monitored and plans in place</li> <li>■ Proactive communication and consultation with employees</li> <li>■ Trained managers and employees on diversity and inclusion</li> <li>■ Appropriate investigation in case of harassment and discrimination cases as per procedure</li> <li>■ Standards of behavior in line with Tsebo Values, Business Ethics Policies and ABAC Policy</li> </ul>
Training and development	<ul style="list-style-type: none"> <li>■ Learning and development plans developed and implemented per division</li> <li>■ Onboarding includes material and equipment, induction and job-related training</li> <li>■ Employees are informed of their role, duties, objectives and required standard of performance</li> <li>■ Employees have access to learning, coaching and feedback</li> <li>■ The development plan is defined with employees</li> <li>■ Divisional succession plans</li> <li>■ Trained supervisors/operational managers on people, customer and unit management skill</li> </ul>	Employee performance and reward	<ul style="list-style-type: none"> <li>■ Tsebo grading system applied to all management positions (D band and above)</li> <li>■ Governance of all contracts, terms and conditions as per Group HR Authority matrix and Group Policy</li> <li>■ Financial and non-financial objectives agreed and issued as per Group Bonus Incentive Scheme</li> <li>■ Group Bonus Incentive Scheme rules issued</li> </ul>

**Tsebo Group HR Standards Framework**

Employee engagement	<ul style="list-style-type: none"> <li>■ Tsebo values, Ethic Policies and ABAC Policy communicated to all employees</li> <li>■ Disciplinary, grievance and redundancy policies and procedures in place</li> <li>■ Respect freedom of association and collective bargaining</li> <li>■ Established reward and recognition policy</li> <li>■ Trained manager on employee engagement and labour relations</li> <li>■ Trained supervisory/operational managers on essential people skills</li> <li>■ Biannual employee engagement survey</li> <li>■ Exit interviews completed for all leavers and feedback analyzed</li> <li>■ Employment contracts specify retirement age</li> </ul>	Organisational design and workforce optimisation	<ul style="list-style-type: none"> <li>■ Annual review of organizational design per division</li> <li>■ Clearly defined time and attendance, scheduling and leave management policies and procedures</li> <li>■ Time and attendance managed by approved biometric system</li> <li>■ ESS access enables leave management, access to vacancies and learning</li> <li>■ Proactive and effective leave management</li> <li>■ Monthly review of workforce optimization analytics</li> <li>■ Effective two-way communication with employees and groups</li> <li>■ Position and employee data accuracy, consistency and privacy</li> </ul>
HR Department	HR measurement		HR Technology

**Human rights and fundamental freedoms**

The risks of potential impacts on human rights and fundamental freedoms have been identified and the Tsebo Group Human Resource Standards Framework has set out the minimum standards to be followed in order to respect the Group's values and prevent severe impacts on human rights and fundamental freedoms.

**Safety, health and environment**

Tsebo recognizes the potential risk of an impact on the health, safety and/or the environment of the Group's activities and thus having a direct and significant impact on the health or safety of our employees and customers. Tsebo has developed health, safety and environmental, safe operating procedures (SOP) to address the risks faced by the Group activities. These SOP's address the requirements of the Duty of Care risks. We organise regular training regarding health and safety risks and also have a weekly toolbox talk that sets out the actions to mitigate a highlighted risk. Each week there is a different health, safety and environmental risk that is addressed by the toolbox talks.

**Alert procedures**

Tsebo aims to extend its alert system to cases of possible breaches of human rights and fundamental freedom, health and safety of people and environmental protection.

Tsebo's alert procedure, called Tip-Offs Anonymous Hotline, has been used for many years now. It is operated by Deloitte to ensure anonymity of the callers, it has been used for several years. A

description of this system is made available to employees through the various channels like posters, newsletters and regular emails from the compliance desk.

The Tip-Offs Anonymous Hotline aims to encourage employees to report any concerns regarding unethical behaviour, with an aim to now also report any human rights violations, health and safety risks and/or environmental damage. The tip-offs are received by the risk, compliance and legal divisions to assess the validity of the information provided and to send notification for a need to further investigate to the relevant division.

Employees who wish to report a breach can choose to either call, sms or email their tip-off. Employees who do not wish to remain anonymous may also contact the Head of Compliance or the Group Risk and Internal Audit Executive.

Monthly reports are sent to the Head of Compliance and the Group Risk and Internal Audit Executive. They include statistics broken down into topics (human resource matters, governance matters, bribery and corruption matters, procurement matters and theft matters).

In accordance with the Sapin 2 law, Tsebo regularly reminds employees that they will not be subject to penalties or discriminatory measures for filing a report. Deloitte also ensures the confidentiality and anonymity of the person making the report. The hotline is open to all of Tsebo's internal and external stakeholders. Tsebo encourages its suppliers and customers to use it in order to report any breach they may be aware of.

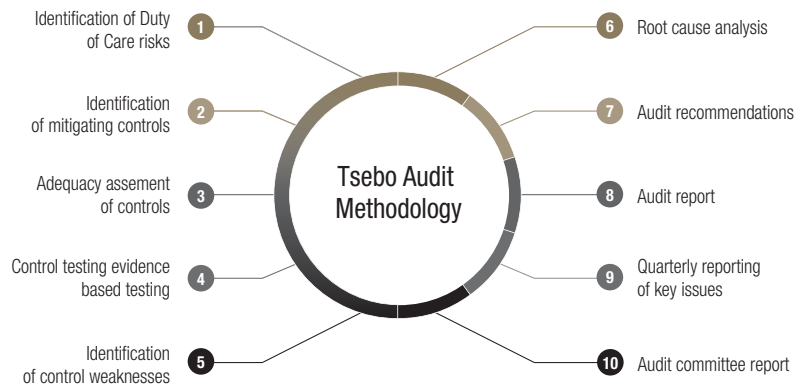
**Monitoring the measures implemented evaluating their effectiveness**

Tsebo has tasked the compliance monitoring team to conduct regular audits to assess the implementation and effectiveness of the mitigating actions implemented. The compliance monitoring team will independently and objectively provide information, analyses and reports to assist management to ensure that operations are managed ethically, effectively and efficiently in line with the requirements for Sapin II and the Duty of Care law.

Its role is to ensure, independently, that the processes of risk management, governance and internal control of Tsebo are working properly by formulating impartial and objective opinions. It reports to the Audit and Risk Committee, that is a subcommittee of the Board of Directors of the Tsebo group.

Through discussions with senior management the team will:

- identify the key risks;
- evaluate those risks by assigning a risk rating (High, Medium, Low);
- identify the current controls in place;
- evaluate the adequacy of the current controls in place;
- make recommendations to improve these controls, if necessary; and
- Identify the key controls - these are the controls which management expect to be in place to mitigate the high-risk areas of the business.



**Reporting methodology**

The contents of this report are restricted to the 2018 calendar year and for Tsebo's South African operations unless otherwise stated.

Unless otherwise indicated, HR data was reported for all Tsebo entities. The headcount disclosed in the report is based on the payroll data as at December 31, 2018 for the Tsebo Group.

The hiring rate was calculated by dividing the total hires by the total workforce as a percentage.

The KPIs' used to measure the labor relation risks were not published herein due to their confidential nature.

The training statistics were based on the number of training interventions conducted during the year. Where an employee attended multiple training courses, this was counted as multiple training interventions. Tsebo does not count the number of employees trained, as training interventions, instead of employees trained, are required to be counted for the SETA reporting purposes.

The statistics for all health and safety reporting includes all Tsebo employees in South Africa.

The number of accidents with lost time and the number of days lost due to an accident relates to only 2 divisions in Tsebo for 2017. The 2018 data reflects the figures for all South African Tsebo divisions.

The lost time injury frequency rate is calculated by taking the lost time injury multiplying it by the industry standard of 1,000,000 and dividing it by the number of hours worked. The number of hours worked is a theoretical calculation based on 8 hours per employee, 21,67 days per month, 12 months a year.

The lost time injury severity rate is calculated by taking the total number of lost days divided by the total number of recordable incidents.

The top 80% in the procurement statistics refer to the percentage by spend of the Group.

### 3.3 Independent third-party report on the statement of non-financial performance shown in the management report

To the shareholders' meeting

In our capacity as independent third-party accredited by the COFRAC under number 3-1050 (scope of accreditation available at [www.cofrac.fr](http://www.cofrac.fr)) and member of the network of one of the statutory auditors of Wendel (hereinafter "entity"), we hereby present our report on the statement of non-financial performance for the year ended December 31, 2018 (hereinafter the "Statement"), presented in the management report under the legal and regulatory provisions of Articles L. 225 102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code (Code Commercial).

#### Responsibility of the entity

The executive board is responsible for preparing a Statement in compliance with applicable legal and regulatory provisions, including a presentation of the business model, a description of the main non-financial risks, a presentation of the policies applied concerning the risks as well as the results of these policies, including the key performance indicators. The Statement was prepared in accordance with the procedures of the entity and of the portfolio companies (hereinafter the "Framework") the significant elements of which are presented in the Statement and available on request at the head offices of the entity and of the portfolio companies.

#### Independence and quality control

Our independence is defined by the provisions in Article L. 822-11-3 of the French Commercial Code (Code de commerce) and our professional Code of Ethics. In addition, we have put in place a quality control system, including documented policies and procedures to ensure compliance with ethical standards, professional standards and applicable laws and regulations.

#### Responsibility of the independent verifier

It is our role, based on our work, to formulate a reasoned opinion with a moderate assurance conclusion on the following:

- the compliance of the Statement with respect to the provisions in Article R. 225-105 of the French Commercial Code (Code de commerce);
- the fairness of the information provided under point 3 of parts I and II of Article R. 225 105 of the French Commercial Code (Code de commerce), i.e. the results of the policies, including the key performance indicators, and the actions taken, with respect to the main risks, hereinafter the "Information".

It is not our role to comment on:

- the entity's compliance with other applicable legal and regulatory provisions, in particular concerning the vigilance plan and the fight against corruption and tax evasion;
- the compliance of products and services with applicable regulations.

#### Nature and scope of the work

We conducted our work described below in accordance with the provisions of Articles A. 225-1 et seq. of the French Commercial Code (Code de commerce) determining the conditions in which the independent third-party conducts its mission, and in accordance with the international standard ISAE 3000 - Assurance Engagements Other than Audits or Reviews of Historical Financial Information.

Our work allows us to assess the compliance of the Statement with applicable regulations and the fairness of the information:

- we verified that the Statement covers the consolidated scope, namely all the companies included in the consolidation scope in accordance with Article L. 233-16, hereafter "the portfolio companies", with the limitations specified in the methodological notes of the entity and the portfolio companies presented in chapter 3 of the management report.
- the portfolio companies that are subject to this report are Bureau Veritas, Constantia Flexibles, Cromology, Stahl, and Tsebo. As indicated in the paragraph "Statement of non-financial performance: methodological note", presented in paragraph 3.1.1 of the management report, the Statement is presented for each company whose majority stake is held by Wendel and is not consolidated as specified in Article L. 225-102-1 of the French Commercial Code (Code de commerce);
- for the Bureau Veritas group, we verified that the Information published in the Wendel management report corresponds to the information verified by the independent third party mandated by the executive management of Bureau Veritas and we have reviewed the conclusions formulated by this independent third party;
- we have reviewed the activity of all of the companies included in the scope of consolidation, the presentation of the main social and environmental risks linked to this activity, and its effects concerning respect for human rights and the fight against corruption and tax evasion, as well as the related policies and their results;

- we have assessed the appropriateness of the Framework concerning their relevance, completeness, reliability, neutrality, and understandability, taking into consideration, as necessary, industry standards;
  - we have checked to make sure that the Statement covers each category of information specified in part III of Article L. 225-102-1 in social and environmental matters as well as concerning respect for human rights and the fight against corruption and tax evasion;
  - we have checked to make sure that the Statement includes an explanation of the reasons justifying the absence of the information required by the second subparagraph of part III of Article L. 225-102-1;
  - we checked to make sure that the Statement presents the business model and the main risks linked to the activities of all of the entities included in the scope of consolidation including, where relevant and proportionate, the risks created by its business relationships, its products or services as well as the policies, the actions, and the results, including the key performance indicators;
  - we have checked to make sure, when relevant with respect to the main risks or the policies presented, that the Statement presents the information specified in part II of Article R. 225-105;
  - we have assessed the process of selection and validation of the main risks;
  - we inquired on the existence of procedures of internal control and risk management put in place by the entity and the portfolio companies;
  - we assessed the consistency of the results and the key performance indicators used with respect to the main risks and policies presented;
  - we assessed the collection process put in place by the entity and the portfolio companies aiming for completeness and fairness of the information;
  - at the level of the entity and the portfolio companies, we have implemented, for the key performance indicators and the other quantitative results that we have considered the most important in Appendix 1:
    - analytical procedures consisting in checking the proper consolidation of data collected as well as the consistency of their changes,
    - detailed tests based on samples, consisting of checking the proper application of definitions of procedures and in comparing the data with the documentation. This work was carried out on a sample of entities selected on the basis of their activity, their contribution to the indicators of the entity and the portfolio companies, their location, and a risk analysis listed below:
      - for the group Constantia Flexibles: Constantia Fromm (Germany) and Aluprint (Mexico) that cover between 8% and 18% of the data selected for these tests (8% of the headcount, 8% of energy consumption, 18% of VOC emissions),
      - for the Cromology group: Cromology Italia (Italy), Arcol (Morocco) and the Tollens network (France) that cover between 22% and 57% of the data selected for these tests (39% of the headcount, 22% of the quantities of COD discharged in water, 57% of lost days due to occupational accidents),
      - for the Stahl group: Stahl Brasil (Brazil), Stahl Palazzolo (Italy) that cover between 15% and 19% of the data selected for these tests (15% of the workforce, 16% of hazardous waste, 19% of energy consumption),
      - for the Tsebo group, the entire workforce and the activities in South Africa (85% of workforce);
  - at the level of the entity and the portfolio companies, we have consulted the documentary sources and carried out interviews to corroborate the qualitative information (actions and results) that we considered as the most important presented in Appendix 1;
  - we assessed the consistency of the Statement as a whole with respect to our knowledge of all companies included in the scope of consolidation.
- We deem that the work that we carried out and the exercise of our professional judgment allow us to formulate a moderate assurance conclusion; a higher level of assurance would have required more extensive verification work.
- Means and resources**
- Our verification work relied on the skills of 11 people between September 2018 and March 2019 for an estimated duration of approximately 20 weeks.
- We conducted approximately 40 interviews with the people responsible for the preparation of the Statement representing executive management, administration and finance, risk management, compliance, human resources, health and safety, environment, and purchasing.
- Conclusion**
- Based on our work, we have not identified any significant misstatement that would cause us to question that the Statement of non-financial performance is compliant with the applicable regulations and that the Information, taken as a whole, has been fairly presented, in compliance with the Framework.
- Comments**
- Without calling into question the conclusion expressed above and in compliance with the provisions of Article A. 225-3 of the French Commercial Code (Code de commerce), we note the following:
- the six following risks, identified as main risks, are not covered by the policies formalized by the entity or the concerned portfolio companies: -for Wendel S.E.: the roles and responsibilities relating to the financial risks of the portfolio companies during acquisitions and support companies remains to be specified, -for the Cromology group: the human resources risks linked to "employee absenteeism" and "attraction and retention of sales representatives", -for the group Constantia Flexibles: the human

resources risks linked to "lack of qualified workers" and "lack of training and development actions",-for the Tsebo group: the risk linked to "food waste";

- for the Cromology group, concerning the risk linked to the classification of the hazard nature of the raw materials, the actions for substitution of the risky substances presented in the Statement do not present the same level of progress between the formulas developed in Europe and outside Europe;
- for the Tsebo group, concerning occupational health and safety risk, the reporting processes are not homogeneous among the four divisions;

■ the statement published by Bureau Veritas received the following comments:

- taking into account the recent definition of new policies concerning Human Rights, the Code of Ethics of the Partners and the Environment, their deployment was not completely terminated on the date of the work,
- the published data relating to personnel movements are not expressed as key performance indicators at the level of the Group (overall or voluntary termination rate).

Paris-La Défense, the 20 March 2019

Independent Verifier  
ERNST & YOUNG et Associés

Caroline Delerable  
Partner, Sustainable Development

Gilles Cohen  
Partner

Information considered as the most important

<b>Quantitative social information (including the key performance indicators)</b>	<b>Involved companies</b>
Registered headcount, or number of employees expressed in full time equivalent	Wendel and portfolio companies
Total number of hirings and/or terminations, or rate of hirings and/or terminations	Wendel and portfolio companies
Absenteeism rate	Wendel, Cromology, Stahl
Proportion of women in the workforce	Wendel and portfolio companies
Proportion of women in the managerial workforce, in the investment teams and on the Supervisory Board	Wendel
Lost Time Injury Frequency Rate, or number of lost time injuries	Wendel, Cromology, Constantia Flexibles, Stahl
Number of accidents involving lost time injuries in the Catering and Cleaning divisions	Tsebo
Severity Rate, or number of lost time days due to lost time injuries	Wendel, Cromology, Stahl
Percentage of industrial sites certified OHSAS 18001	Cromology
Total number of training hours or number of training hours per employee or number of employees trained at least one time or number of employees trained or number of training projects	Wendel and portfolio companies
Average rate of number of sales positions (ATC) not filled in comparison with the budget	Cromology

<b>Qualitative social information (actions or results)</b>	<b>Involved companies</b>
Organization of social dialogue	Portfolio companies
Health and safety at the work place	Portfolio companies
Measures for prevention of risks linked to the safety of industrial processes and the use of points of sale	Cromology
Training policies	Wendel and portfolio companies
Measures taken to ensure attractiveness and employee retention	Constantia Flexibles, Cromology, Stahl
Measures taken to fight against discrimination	Stahl, Tsebo

<b>Quantitative environmental information (including key performance indicators)</b>	<b>Involved companies</b>
Percentage of industrial sites certified ISO 14001	Cromology
Air emissions (VOC, SOx and NOx), or ratio of air emissions per product output (VOC)	Constantia Flexibles, Cromology
Emissions in water (Chemical Oxygen Demand, Solid Particles in Suspension)	Cromology
CO2 emissions, scopes 1 and 2	Constantia Flexibles, Cromology, Stahl
CO2 emissions, scope 3	Stahl
Quantity of hazardous and non-hazardous waste, or ratio of waste produced compared to production volume	Constantia Flexibles, Cromology, Stahl
Waste recovery rate	Constantia Flexibles
Total water consumption, or ratio of water consumption per production volume	Cromology, Stahl
Total energy consumption, or ratio of energy consumption per production volume	Constantia Flexibles, Cromology, Stahl



**Qualitative environmental information (actions or results)****Aaa**

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

Measures taken for prevention of risks associated with the transportation of hazardous products

Cromology

**Quantitative societal data (including key performance indicators)****Involved companies**

Percentage of main suppliers having signed the anti-corruption and EHS commitments

Tsebo

Number of suppliers to which the questionnaire has been issued and % of the associated purchasing volume

Cromology

Percentage of research and development projects linked to the elimination of substances subject to restrictions and to new raw materials to replace them

Stahl

Number of food safety audits performed by the Catering division

Tsebo

Portion of net sales made with new products (less than three years) with an environmental label Percentage of recycled plastic in the packaging plastic of products sold in France

Cromology

Percentage of regulated raw materials (SVHC or CMR 1 and 2) in the paint formulas

Cromology

Number of training hours, or number of employees trained, or number of training actions in the fight against corruption

Stahl, Tsebo

**Quantitative societal data (actions or results)****Involved companies**

Support for portfolio companies in integrating the CSR challenges in their risk management

Wendel

ESG (Environment, Social and Governance) integration criteria in product and service design

Portfolio companies

Measures for prevention of environmental and social risks among suppliers

Cromology, Constantia Flexibles, Tsebo

Measures for prevention of environmental risks among customers

Stahl

Measures for prevention of risks associated with the handling of personal data

Cromology