

# Stahl Compliance Report 2023

February 19, 2024

Stahl is aligned to the UN Global Compact, the world's largest corporate sustainability initiative, and has reported on its guiding principles, annually, since 2011. The 10 principles of the UN GC are included in the Stahl Code of Conduct for Business partners. With this commitment, Stahl has confirmed the alignment of its strategy and operations to the universal principles of human rights, labour, environment, and anti-corruption. Stahl also reports on its progress with the 17 UN Sustainable Development Goals (SDG's) in its annual ESG report and ESG roadmap and has committed to tangible targets for 2023 and 2030.

Since 2018 Stahl has been subject to the French law ("SAPIN 2"), introduced to eradicate corruption. Stahl applies a zero-tolerance policy towards corruption.

This report is focused on:

- a. Local law and regulations
- b. SAPIN 2 legislation (anti-corruption)
- c. Sanctions and embargoes
- d. Safety, health, and environment ("SHE") / Process safety
- e. Compliance policies / Whistleblower process
- f. Business Partner Compliance Procedure
- g. External business rating on sustainability and ethics
- h. Modern Slavery
- i. Diversity
- j. Compliance training
- k. Privacy and security

## a. Local laws and regulations

Stahl is committed to complying with the laws and regulations of the countries in which it operates. The responsibility for this compliance lies with the Stahl local entities, under the supervision of the Stahl global legal and compliance departments in the Netherlands. If necessary, local Stahl companies can hire external counsel to assist with topics such as employee dismissals, permits or tax compliance. Every quarter, local finance departments report to the Stahl global legal and compliance departments any material legal and tax risks for their respective companies. In 2023 no material legal and/or tax risks did occur. Audits of the statutory reports are performed by external auditors. The audit of the consolidated (IFRS) statutory report 2023 is being performed by Deloitte.

## b. SAPIN 2 legislation (anti-corruption)

One of the laws applicable to Stahl is the French SAPIN 2 legislation, which imposes an obligation on certain companies to implement measures to prevent and detect corruption and influence peddling offences, committed either in France or abroad. Stahl is subject to this law and implemented a compliance program to comply with the requested measures. The measures implemented by Stahl are (in short):

- **Corruption Risk mapping:**  
Each year, Stahl performs a corruption risk mapping exercise, through interviews with Stahl's management by the Chief Compliance Officer. In 2023, interviews were held with 31 colleagues from different countries and businesses. The focus group for the interviews included the Stahl Leadership Team, the procurement department and the newly acquired packaging coatings business unit. Furthermore, interviews were held with 4 distributors. The Chief Compliance Officer spoke also with another portfolio company of Stahl's major shareholder to share best practices.
- **Stahl Employee Code of conduct / Business Partner Code of Conduct:**  
Stahl implemented Codes of Conduct for its employees and relevant business partners. See paragraphs e and f.

- Training program:  
Stahl employees need to follow mandatory annual e-learning compliance trainings, including anti-corruption e-learning. See paragraph j.
- Third party due diligence procedures:  
Stahl implemented a third-party due diligence procedure for relevant business partners. See paragraph f.
- Whistleblower system:  
Stahl implemented a whistleblower system. See paragraph e.
- Control procedures:  
Stahl implemented several accounting procedures, including a specific accounting procedure on anti-corruption.
- An internal monitoring and assessment system:  
Stahl implemented an internal monitoring and assessment system regarding the SAPIN 2 requirements. Stahl has an internal auditor.
- A disciplinary procedure:  
Stahl has effective disciplinary rules, which can be invoked if Stahl employees do not comply with the applicable laws, regulations, and Stahl compliance policies. See paragraph e.

For the years 2020-2022 Stahl prepared a SAPIN 2 compliance monitoring report, describing the monitoring and control efforts, results, and follow-up actions. For 2023 a similar report was prepared, which has been audited by Internal Audit.

Internal Audit strives to a 4-year cycle where at least all the primary business processes (production locations and the foreign sales offices) are audited. On average the yearly coverage is around 25% of the production locations and foreign sales offices. The smaller foreign sales offices are combined where possible with another audit in that region. During these visits, the ethics procedures (Code of Conduct, Whistleblower policy and the anti-corruption accounting controls) are in scope.

#### **c. Sanctions and embargoes**

Stahl is committed to complying with the sanctions and embargoes implemented by local country laws and/or by the European Union, the United States of America (USA) and the United Nations. The responsibility to comply with these regulations lies with the local Stahl entities under supervision of the Stahl Global Compliance department.

Every year the Stahl Compliance department sends reminders to all regional management regarding the sanctions/embargoes that apply when doing direct or indirect business with customers in sensitive countries. The compliance with sanctions/embargoes laws and regulations are also discussed internally during compliance trainings as performed by the Chief Compliance Officer. Specific focus was also put on adherence to the EU sanctions regarding Russia. Stahl uses an SAP tool for sanctioned party list screening. Based on this tool customer, vendor and business partner master data are checked against various sanctions lists, such as the EU, USA, and UK sanction lists. Orders are automatically blocked through this tool if names and/or addresses (partly) match with sanctioned parties and can only be de-blocked after a check done by the Stahl Compliance department. In 2023 Stahl kept a block on one party as the owner structure was not yet clear.

The Stahl Product Stewardship Department determines if certain restrictions apply to products under the various sanctions and embargoes and whether a material qualifies as a “dual use material”. If so, such material will be flagged in the material masters in SAP, for all Stahl plants. When an order is placed for a product that is flagged in this way, a warning is received and the order is blocked for delivery, which can be deblocked by the finance department after a check.

#### **d. Safety, Health & Environment (SHE) / Process safety**

Stahl is responsible for ensuring a safe working environment for its employees and employees must comply with the safety regulations applicable to their workplace. Stahl complies with local Safety, Health and Environment (SHE) regulations and with its own corporate safety policy, which is implemented by means of a Global SHE management system. The responsibility to comply with the criteria and requirements defined by Stahl, and with local SHE regulations lies with the local Stahl entities. The Site and SHE managers, located at each Stahl site, are responsible for implementing the SHE criteria and ensuring that the compliance of rules is rooted in the management line and applied to every person present at the site. SHE performance is

reported monthly to Stahl headquarters and is consolidated into a global report which is distributed to the Board and the higher management.

Since 2021, Stahl is focussing in leading the company safety culture to a more mature position. Two OCDI surveys have been done, the first in December 2021 and the second in January 2023. The improvement on all metrics shows that the actions taken are achieving the desired effect on the culture. In 2023, a new reporting tool has been implemented, increasing the number of observations and near misses reports. The information allows Stahl to anticipate and manage more adequately potential hazards, to shape local action plans and improve safety in a more effective way.

#### **e. Compliance policies / Whistleblower process**

Stahl's compliance policies apply to all employees, including the Employee Code of Conduct, Whistleblower Policy, a Disciplinary Action policy, and the Nepotism and Conflict of Interest policy. All employees must adhere to these policies and confirm they have read and understood the policies through the HR Employee Engagement Platform (EEP). The completion of compliance training by employees is monitored by HR and the Chief Compliance Officer. Employees (and third parties) can also report any issues by email through [Whistleblower@Stahl.com](mailto:Whistleblower@Stahl.com). Furthermore, Stahl has an easy-to-use form on the Stahl website which can be used to report any concern by employees and/or third parties. This can also be done anonymously (see <https://www.stahl.com/sustainable-development/policies-statements-reports/policies-statements>).

In 2023, a number of whistleblower reports were received, which were all followed-up and resulted in several actions taken, such as verbal warnings, clear explanation of the rules, change in a team and on-site compliance trainings by the Chief Compliance Officer.

The Chief Compliance Officer gave several compliance presentations, both virtually and locally with special focus on the Whistleblower policy and speak-up culture within Stahl, which further underlines Stahl's drive for an open and inclusive leadership style.

#### **f. Business Partner Compliance Procedure**

Stahl is committed to the highest standards of social and environmental responsibility and ethical conduct. Stahl expects the same behaviour from its Business Partners, being agents, distributors and suppliers. With this in mind, Stahl implemented a Business Partner Due Diligence procedure regarding part of its Business Partners. The selection of Business Partners is risk based. With the Business Partner Due Diligence Procedure, the compliance-relevant behaviour and integrity of relevant (potential) Business Partners of Stahl are monitored. This enables Stahl to detect any 'red flags'. This procedure assists Stahl's employees in establishing and maintaining a commercial relationship with reliable and ethical Business Partners. The Business Partner Due Diligence procedure consists of:

- (1) the Stahl "Business Partner Code of Conduct", which the relevant Business Partner needs to sign, or alternatively provide a copy of its own similar Code of Conduct to Stahl.
- (2) the Business Partner Questionnaire, which should be completed by the relevant Stahl employee.

If Stahl discovers that a Business Partner does not comply with the Code of Conduct or "red flags" appear based on the Business Partner Questionnaire, appropriate action will be taken by Stahl, including, if necessary, a no-go decision or discontinuation of business with that Business Partner. In 2023, though Stahl still needs to receive some Code of Conducts from relevant business partners, there were no business partners who refused to sign the Code of Conduct. Stahl will follow-up on the missing Code of Conducts. One vendor was blocked based on adverse media coverage.

Stahl implemented the Diligent Third-Party Risk Management Compliance system (Diligent system) which is used to screen (and if necessary, perform a Due Diligence check on) its business partners, including customers. The selection of the business partners uses a risk-based approach. The Chief Compliance Officer monitors the alerts received through this system and performs follow-up actions if necessary. In 2023 a number of hits in the Diligent system were further checked, but they turned out not to be relevant hits or non-adverse information.

At the end of 2023 Stahl implemented an upfront supplier risk analysis for suppliers with a presence in high-risk countries and an expected spend in excess of EUR 100k in its onboarding process.

Compliance is regularly discussed internally during presentations given by the Chief Compliance Officer during among others various business group meetings, HR regional meetings and the extended leadership meetings.

Based on the feedback from the Extended Leadership Team through the 2023 Compliance questionnaire in January 2024, no major incidents regarding Stahl's Business Partners were reported in 2023.

#### **g. External business rating on sustainability and ethics**

Stahl does a sustainability performance check of its most significant suppliers through an EcoVadis-controlled assessment. The EcoVadis assessment is a thorough CSR assessment that covers Environment, Labor & Human Rights, Ethics and Sustainable Procurement and is a recognized standard in the chemical industry. The selection of the vendors is based on the top suppliers (strategic), spend and/or presence in high-risk countries (based on the Corruption Perception Index).

As per the end of 2023 Stahl had 278 suppliers (these also include groups of companies with the same ultimate holding company, representing 745 separate vendors) assessed by EcoVadis. This means that:

- around 86% of Stahl's total direct purchasing spend (raw materials and packaging) and
- around 57% of the total spend on logistics.

is covered by EcoVadis Supplier Assessment ratings. It is noted that in 2023 the Procurement Department did check 17 indirect vendors (representing 105 separate companies).

Stahl had set a target to have Ecovadis scores above 60 for its top 10 vendors (including groups of companies). Unfortunately, 2 vendors scored just under 60. Over 85% of Stahl's assessed vendors have a score above 45, which is marked Good to Advanced according to Ecovadis. By the end of 2023 there were 7 assessed vendors with a score below 35.

Stahl will request a number of high-risk vendors to complete a re-assessment in 2024 or may decide to do an on-site CSR audit. It is noted that for some vendors it was the first time that they were assessed by EcoVadis and they needed support on how to complete the questionnaire. Vendors that chose not to participate in the EcoVadis assessment or where the assessment scores are lagging, could be phased out (depending on the follow-up actions which can be agreed with those vendors) or be audited by a third-party auditor when Stahl considers this supplier as critical for its operations. If CSR/Sustainability performances are still not satisfactory after audit and corrective action plan measures, Stahl will take the steps to (gradually) phase out such a vendor.

It is noted that Stahl continued its platinum medal status from EcoVadis in 2023.

#### **h. Modern Slavery**

Modern slavery, or any form of forced or compulsory labour, is a violation of human rights. Stahl condemns modern slavery and child labour, and shall not participate in the trafficking, recruitment, or receipt of any persons, by means of threat or abuse of power. Stahl's Code of Conducts includes specific wording for both employees and business partners. Stahl publishes a statement on Modern Slavery on its website, which is updated yearly. This statement is approved by the Stahl Board of Directors and is based on section 54 of the UK Modern Slavery Act. Stahl's statement on Modern Slavery is available on the website (see <https://www.stahl.com/sustainable-development/policies-statements-reports/policies-statements>).

In 2023 Stahl did not have any incidents relating to modern slavery. To detect possible modern slavery incidents, the Chief Compliance Officer performed interviews with 31 employees and 4 distributors around the world discussing this topic. The Chief Operating Officer also raised this topic during his visits to the various Stahl sites. No modern slavery situations were observed during these visits, nor reported in the interviews. Stahl also benchmarked itself for salary with respect to modern slavery, and no signs of modern slavery or exploitation from low salaries were observed. In incidental cases, where the salary deviated materially from market reference, this was addressed and corrected. Stahl furthermore included a specific reference to compliance with the Modern Slavery Statement in the Stahl Parent BV Hiring & Onboarding Policy.

**i. Diversity**

Stahl's Diversity and Inclusion Policy expresses the company's commitment to embedding equality, diversity and inclusion across the organization (see the policy as published on <https://www.stahl.com/sustainable-development/policies-statements-reports/policies-statements>). Stahl's Diversity and Inclusion Policy applies to the whole company. Equal treatment is at the heart of the organization and Stahl believes this will produce a more innovative and responsive organization. Stahl also believes that there is much more to diversity than age, gender, race and cultural background. A diverse workplace includes people who can offer a range of different viewpoints and ideas. Consistent with its strategy of growing our leadership talent, diversity and inclusion principles are embedded within its core leadership development programs to encourage managers to demonstrate them as part of their leadership behaviour. In March 2023 Stahl appointed the first female colleague in its Leadership Team, being the Group Director Sustainability and Marketing. Stahl also builds cultural intelligence and equality into its performance reviews, as well as its hiring and talent identification process.

Stahl prioritized the strengthening of the Diversity Equity Inclusion (DEI) culture and governance. Stahl took steps to address key DEI issues, starting by defining and introducing local Diversity, Equity, and Inclusion plans in each of Stahl's legal entities worldwide. Stahl also appointed the global DEI Steering Committee and local DEI committees for each of the entities, which are responsible for implementing company-wide DEI guidance, defining local DEI action plans, and providing local information on DEI to support Stahl's company-wide KPIs.

**j. Compliance training**

Stahl shares a dedicated e-learning course based on its corporate compliance policies with all employees through its Employee Engagement Platform (EEP) to further increase the awareness of the employees about compliance topics. The Employee Code of Conduct is also included in the onboarding system for new employees (done through the EEP). In 2023 all employees were obliged to do various compliance e-learning trainings. The completion of the trainings by the employees is monitored by HR and the Stahl Group Head of Tax & Compliance.

As per the beginning of 2024, the status of the training is (excluding the employees of the newly acquired packaging companies):

	% Completed	Number of employees*
Disciplinary Action Policy	99%	1,795
Anti-Bribery and Anti-Corruption	91%	1,786
Human rights	99%	1,795
Nepotism & Conflict of Interest policy	99%	1,795
Fair Competition and Antitrust	99%	1,795
Employee Code of conduct	99%	1,795
Whistleblower policy	99%	1,793
GDPR and data breaches	91%	1,786

\*Excluding maternity leave, sick leave, and special circumstances (e.g. when an employee will leave the company)

As in the previous year, Stahl has as target to have 100% of the employees trained regarding all policies and compliance trainings as mentioned above in 2024.

**k. Privacy and Security**

Stahl is committed to complying with the applicable (local) privacy rules and to process the personal data collected during Stahl's business activities and other services from its employees, customers, vendors, website users and other stakeholders in a transparent, lawful, responsible, and accurate manner for predetermined specific purposes, protected in an appropriate manner with technical and organizational measures and kept for no longer than strictly necessary. Reference is made to the Stahl Privacy statement which can be found on its website. Stahl has an Information Security Management System and a Privacy Code of Conduct for its employees in place. Stahl included a training about the Privacy Code of Conduct in the onboarding program and in 2023 Stahl did assign an e-learning training to refresh the privacy rules for the relevant employees (see under paragraph j above). Stahl provides mandatory Information Security Awareness trainings on a quarterly basis and performs monthly phishing testing. In 2023 Stahl had one

reportable data breach for which proper follow-up actions were taken. Stahl did not receive any complaints regarding the handling of privacy data by Stahl from external parties.

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## **Annex 1 The United Nations Global Compact's Ten Principles**

The UN Global Compact's Ten Principles are:

### Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

### Labor

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labor;

Principle 5: the effective abolition of child labor; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

### Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

### Anti-Corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.