

# NON-FINANCIAL GROUP STATEMENT

for the fiscal year

# 2019

pursuant to Section 315b HGB



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# FOREWORD

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Responsible and sustainable company management, in the sense of transparent and best-practice corporate governance, requires integrity and the legally compliant behaviour of all stakeholders. It forms the essential basis for the company's long-term and sustainable success.

We at R. STAHL understand corporate responsibility as a long-term commitment to improving the quality of life of people around the world as well as ecological awareness – a standard that is already inherent in our safety products and solutions. Our objective is to create sustainable added value for our stakeholders and to make a tangible contribution to the environmental and social development of society as a whole. This also includes an ongoing examination of our actions and their impact on society. The high sustainability standards which listed companies domiciled in Germany must meet are set by the respective legal regulations, and in particular by the German Corporate Governance Code. In addition, we have implemented further Group-wide guidelines, such as a Code of Conduct which is binding for all employees, and we ensure adherence with these guidelines by means of our Group-wide compliance management system. We support compliance with our Code of Conduct by anchoring an authorization matrix and dual control principle in our organization. This states that legally binding and financially effective decisions cannot be taken by one individual alone, but only by two persons with the corresponding authorization.

In line with the company's profit-oriented approach, the R. STAHL Group is managed primarily according to financial goals. These may also be supplemented by non-financial objectives. In this way, we take account of our corporate responsibility, which we interpret in the joint context of our economic, ecological and social actions (CSR – Corporate Social Responsibility). Responsible cooperation with our stakeholders – above all our customers, suppliers, employees, shareholders, financial institutes and the interested public – is given high priority in our organization and our processes. As entrepreneurial success is inextricably linked with the commitment of creative and motivated employees, our HR strategy attaches great importance to attractive terms of employment with healthy and safe working conditions, fair compensation, targeted training offerings and equal opportunities. Our customers rely on the outstanding quality of our products, which are renowned for their uncompromising safety and reliability, as well as for their excellent workmanship and durability. As a leading technology company in our industry, we want to continue to drive technological progress and secure this trust with outstanding and innovative products, as well as sustainable added value. We therefore not only place high demands on ourselves, but also on our suppliers. In addition to complying with all legal regulations, as well as work-related and environmental standards, we set ourselves the target of achieving the high quality standards of our products with the efficient use of resources.

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# 1. BUSINESS MODEL OF THE R. STAHL GROUP

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Gases, vapours, mists and dusts are created during various production processes in many industries. If these are ignited, the resulting explosion can result in severe harm to human life, property and the environment. R. STAHL's innovative electro-technical products and systems – used mainly in the oil and gas industry, as well as in the chemical, pharmaceutical and food industries – are designed to protect people, machines and the environment from the dangers of such unintended explosion events with utmost reliability, as well as to prevent such explosions from occurring. With our portfolio of products and services, we are the market leader in Europe and the second-largest provider of explosion protection products and solutions world-wide.

The offerings of R. STAHL cover the entire value chain: from individual components such as switches and signalling devices for simple applications, to control boxes and system controls for the distribution of electrical energy, to complete and complex systems for large-scale projects in the field of oil and gas production or the (petro) chemical industry, for example. R. STAHL is the global market leader for lighting solutions for explosion-protected areas – thanks in part to its unique range of innovative products based on energy-efficient LED technology. In addition, we offer a strong product portfolio for automation solutions to control, regulate and monitor technical facilities, including the market-leading remote I/O system IS1+, as well as operating units and camera systems. R. STAHL's expertise in the systems business – one-stop solutions for complex customer-specific problems and requirements – is also unique throughout the world. A major pillar here is our engineering and consulting expertise, which we are continually expanding with further services and keeping up-to-date. All of our products and services meet the highest safety standards, reflecting almost 100 years of experience in the field of explosion protection.

The parent company of the R. STAHL Group is R. STAHL Aktiengesellschaft in Waldenburg, Germany (in the following R. STAHL), which sets the strategic alignment of the Group's subsidiaries and performs corporate management and controlling functions. It also acts as a service provider within the Group to advise and support the subsidiaries. With over 800 employees, the Waldenburg site is not only home to the parent company, but also to R. STAHL Schaltgeräte GmbH and various service and administration companies.

At the end of 2019, R. STAHL had a total of 26 subsidiaries in 25 countries on all continents actively engaged in the explosion protection market, as well as 50-plus representative offices around the world and seven production sites with different core competencies. Lighting and signalling devices are produced mainly in Weimar, Germany, and Chennai, India, while automation technology products are developed and manufactured in Cologne and our main base in Waldenburg. Most of the components for installation, such as switches, terminal boxes and connectors, are also produced in Waldenburg. Customized equipment and more complex explosion protection systems are produced in Waldenburg, as well as by the subsidiaries Electromach B. V. (Hengelo, the Netherlands), Tranberg AS (Stavanger, Norway) and R. STAHL Inc. (Houston, USA). A particular area of expertise of the Hengelo facility is the production of large container solutions, while in Stavanger the focus is on products for shipbuilding and the oil and gas industry.

In 2019, the 1,669 employees (as of 31 December 2019) of the R. STAHL Group generated sales of €274.8 million.

## 2. METHOD OF PREPARING THE NON-FINANCIAL GROUP STATEMENT

As in the previous years, this non-financial statement is based on the WIN Charter sustainability management system developed especially for small and mid-sized enterprises (SMEs) by the Sustainable Business Practices Initiative (Wirtschaftsinitiative Nachhaltigkeit - WIN) of the German state of Baden-Württemberg. The WIN Charter provides a seal of quality with regard to its assessment and evaluation features as well as for the communication of corporate sustainability. It is not in competition with existing sustainability measurement systems, such as the Global Reporting Initiative (GRI) or the German Sustainability Code (DNK), but is based on their criteria and indicators. In addition, the WIN Charter has a clear regional component that justifies its seal of quality for sustainability from the state of Baden-Württemberg and sets it apart from existing systems.

The WIN Charter enables us to meet the requirements of the German CSR Directive Implementation Act to implement the EU guideline 2014/95/EU, which came into force on 19 April 2017. The WIN Charter is geared towards this legislation and covers all the required matters.

The twelve guiding principles of the WIN Charter formulate the common basic values, cover the three pillars of sustainability (economic, ecological and social matters), enable the identification of sustainability-relevant strategies and approaches, provide orientation for implementation in a regional and local context, and offer suitable starting points for communicating sustainability efforts to the outside world.

### SUMMARY OF THE WIN CHARTER GUIDING PRINCIPLES ON THE RELEVANT TOPIC FIELDS FOR R. STAHL

WIN Charter guiding principles	Topic areas
01 – Human rights and employee rights	3.1 Human rights, social and employee matters
02 – Employee welfare	
03 – Stakeholder groups	
04 – Resources	3.2 Environmental matters
05 – Energy and emissions	
06 – Product responsibility	
07 – Corporate success and jobs	3.3 Economic benefits
08 – Sustainable innovation	
09 – Financial decisions	3.4 Sustainable and fair finances
10 – Anti-corruption	
11 – Benefits for the region	3.5 Benefits for the region
12 – Incentives to think in new ways	

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For the preparation of this non-financial statement, we determined the material factors influencing the sustainable business success of R. STAHL as part of a materiality analysis. We then assigned these factors to the guiding principles of the WIN Charter and summarized them in five topic areas (see table).

In the following, we will discuss our concepts, risks and performance indicators relating to these topics. Further information on our risk situation can be found in the **Risk-Report** section of the Group Management Report 2019, which will be published on our website [www.r-stahl.com](http://www.r-stahl.com) in the section Corporate/Investor Relations/IR News and Publications/Financial Reports on 21 April 2020.

Unless stated otherwise, the statements with a regional reference refer mainly to the sites of our largest production company R. STAHL Schaltgeräte GmbH in Waldenburg and Weimar. We are working on systematically extending the group of subsidiaries included in our non-financial reporting to the entire R. STAHL Group. In 2018, for example, we were able to include our production sites in India and the USA for the first time. In the reporting period, we also began to integrate sustainability aspects pursued by our subsidiaries in Norway, France, Korea and the United Arab Emirates into our reporting.

The content of this report addresses all genders equally. The masculine form is used solely for reasons of readability and without any intention of discrimination. It refers to all genders.

# 3. KEY SUSTAINABILITY TOPICS OF THE R. STAHL GROUP

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## 3.1 HUMAN RIGHTS, SOCIAL AND EMPLOYEE MATTERS

### 3.1.1 Human rights and employee rights

We regard human rights and employee rights as fundamental values and attach great importance to observing them. As a company still largely owned by its founding families, the R. STAHL Group regards values such as mutual respect, support for colleagues, and joint problem-solving as particularly important and also lives these values in its daily actions. This also includes cooperation with internal and external employee representatives.

In order to safeguard our objectives, we have implemented a Compliance Management System. Our aim of drafting a Supplier Code, formulated in the previous year, was put into effect in the reporting period. We are also committed to compliance with the Code of Conduct of our industry association (German Electrical and Electronic Manufacturers' Association - ZVEI). In terms of measures, we run training courses and request letters of commitment. As part of our hiring process, we ensure that new staff are aware of our Code of Conduct and regularly train and check this knowledge via e-learning systems. The Internal Audit department regularly reviews the effectiveness of these measures and we record feedback and proof of test participation.

The success of our work is reflected in the very low number of individual or collective legal proceedings at both national and international level, as well as the absence of arbitration procedures required by worker codetermination laws. We have also not received any complaints under the General Act on Equal Treatment so far.

The aforementioned measures and processes ensure that we address the risks – especially from damage claims and damage to our reputation – arising from inadequate compliance with the concepts we pursue. It must be taken into consideration that SMEs in particular have only limited monitoring capacities. This means that seamless controls along the entire supply chain are hard to achieve – due in part to the variety of sub-suppliers.

In the reporting period, we conducted a Group-wide staff survey. Of a total of 1,718 employees (including apprentices), 1,357 took part by completing the paper-based or electronic questionnaires. This corresponds to a high and very good response rate of around 80%. The results of the survey showed that 88% of participating employees were aware of all rules and regulations relating to their tasks, including in particular the Code of Conduct. Only 4% of R. STAHL employees did not attach great importance to compliance with laws, internal regulations and compliance rules. There was a similar picture with regard to the importance of the company's assumption of social responsibility. The results show that compliance and good corporate governance are firmly anchored in R. STAHL's corporate culture and underline the effectiveness of the measures we have implemented so far.

In addition to the Group-wide Code of Conduct, our Indian subsidiary has introduced additional principles and guidelines, which staff are regularly reminded of via instruction and training. One special program is dedicated to the topic of "sexual harassment in the workplace" (POSH = Prevention of Sexual Harassment). Compliance with this program is monitored by a local Compliance Committee.

On 16.12.2019, EU Directive 2019/1937 came into force, which is intended to guarantee whistle-blowers uniform protection throughout Europe in future. EU member states

are required to transpose this directive into national law within two years. R. STAHL will already meet the future requirements in the current year with the introduction of a Group-wide whistle-blower system.

### 3.1.2

#### Employee welfare

In view of the competition for skilled and motivated personnel, we have introduced a series of measures to ensure that our current and future employees perceive us as an attractive employer. As an essential expression of our corporate responsibility and values, we respect, protect and promote the health, interests and welfare of all our employees.

This helps improve their performance and encourages their long-term commitment to the company. A culture of mutual trust and open communication is also important. Our preventive efforts in the field of occupational safety begin by raising awareness among our employees and superiors who integrate this important topic into their regular communication activities. In all departments, for example, accidents and entries in the first-aid book are analyzed in order to derive new measures aimed at continuously improving the safety of work processes.

With regard to the company's precautionary measures, we conduct regular inspections of working conditions, ergonomics and occupational safety together with the Works Council, the safety officers responsible and our company doctor, and implement any remedial measures deemed necessary. In the reporting period, for example, potential ergonomic improvements were identified and implemented in various production areas, including the provision of additional tools for lifting and moving loads at our Waldenburg site and measures for reducing noise at our Weimar site. We have installed a safety, health and environmental protection committee and a health management system at our German sites in order to safeguard our goals and measures. Our ultimate objective is to achieve a zero work accident rate ("Vision Zero"). In order to achieve this target, we once again held workshops with managers, carried out various action plans and conducted a staff survey during the reporting period. A series of measures were identified and implemented that led to a significant improvement in our accident figures. The number of work accidents fell by 36% to seven (2018: 11), while the number of days lost due to illness fell by 37%. Likewise, the number of entries in the first-aid book declined by 16% to 257 (2018: 307). In the production areas, a bi-weekly work safety circle was introduced in 2019, where our safety specialists discuss cur-

rent topics with their line managers. The company's work safety officers also meet at the same intervals, while the work safety circle with managers in administrative departments meets once a quarter.

In 2019, we successfully recertified our occupational safety management system; the validity of our preventive measures is now certified until 2022. In the current year, a training bus from our employer's liability insurance association will make a stop at both our Waldenburg and Weimar sites with the aim of raising awareness and providing training on safety issues. Expert instructors will inform and train our managers and staff on safety issues. Due to the recent increase in the number of accidents involving various types of bikes among the workforce in Waldenburg, we are planning to hold a road safety day at this site in 2020, which will focus specifically on motorbikes and bicycles.

We also offer preventive healthcare measures, such as vaccinations, medical consultations with our company doctor, and participation in our sports groups. Wherever possible from an operational perspective, we endeavour to meet employee requests for part-time work in order to help them reconcile work and family life. We conduct an annual training needs survey to determine the content of the courses offered. The needs arising from this survey are met by in-house seminars (e.g. basic training, office applications, skills training) and external training providers with target group-specific courses (e.g. industrial engineering, development, IT, sales, marketing or logistics).

To promote the well-being of our employees, we provide company restaurants with subsidized meals at our largest locations. Furthermore, we offer numerous voluntary social benefits, such as paid leave for weddings, the birth of a child, moving to a new home, or bereavements. In addition to paid leave, we also support employees in the form of gifts for family members on special occasions, within the scope of tax-exempt limits. We create a working atmosphere conducive to promoting partnership and cooperation by holding sports festivals and Christmas parties, as well as by organizing events to celebrate service anniversaries and reunite company pensioners. At our site in Chennai, India, we also offer a shuttle service from home to work for our staff. In addition, we have established a health plan at our Chennai site, including regular examinations by a local medical professional.

Our training department in Waldenburg carried out a two-month project called "Bewegte Pause" (moving break) in the reporting period with the aim of encouraging the workforce to be more physically active. Concepts for promoting health at work were also discussed in the context of



“STAHL goes crazy”, a regular project series initiated by our apprentices to promote lateral thinking. The ideas generated included a health park around the company premises, which is to be further developed in the current year.

In order to enhance its attractiveness as an employer, our subsidiary in Dubai drew up a qualification matrix for each employee in the reporting period and used it to launch a series of training measures. These measures will be further implemented in the current year and reviewed on a monthly basis. The agreed targets and associated personal development plans and performance appraisals are expected to open up attractive career options for employees.

At our French subsidiary, the main approach to increasing employee well-being is via sport, e.g. with half-day team-building measures for the in-house and field sales forces. Since 2019, staff have also been able to use a treadmill installed on the premises for use at any time of day.

Our Norwegian subsidiary finances a more extensive health insurance plan for its employees, which ensures rapid medical treatment when needed. Regular workplace inspections are also conducted here together with experts from the company's health management system. Stress related to ergonomics, noise, light and air is recorded and eliminated where necessary. For example, new LED luminaires were installed in the warehouse in Stavanger, which led to significantly better illumination and thus to the well-being of staff working there. Other improvements included measures to eliminate draughts in the workplace and the purchase of transport stands for storing and transporting large switch cabinet doors.

We support our employees in Korea by offering memberships for leisure clubs – thus helping to improve the working atmosphere by promoting leisure activities together.

To improve internal communication and strengthen staff identification with the company, we reintroduced the former, semi-annual staff magazine “STAHL Report” in 2019. The first two issues appeared during the reporting period, focusing on the topics of change management and digitalization.

The quantitative performance of these employee welfare measures is assessed annually via the staff turnover rate and sickness rate. At 2.8%, the proportion of employees leaving R. STAHL at their own request increased in the reporting period (2018: 1.9%). The sickness rate of 4.5% was on a par with the previous year (2018: 4.4%) and

slightly above the average for Germany (4.34%). The number of work accidents is below the industry average.

The success of our employee welfare measures is also reflected in the findings of the above mentioned staff survey conducted during the reporting period. These show that only 2% felt uncomfortable at their workplace. The three highest ratings from our workforce were in the categories Employer Attractiveness & Loyalty, Commitment & Welfare and Cooperation with Colleagues.

Together with our proactive HR marketing activities, career development programs and active succession planning, the measures we take are designed to counter the current risk posed by a shortage of skilled workers – especially in the strong economic region of Hohenlohe-Franconia. There are also opposing risks from own business activities, for example measures to reduce staff or a lack of career prospects.

## 3.2 ENVIRONMENTAL MATTERS

### 3.2.1

#### Resources

A key aspect of our efforts to protect and preserve the environment is our responsible use of resources. Our aim is to continuously enhance our resource efficiency by increasing raw material productivity and reducing the use of natural resources. One example is the optimization of specific material consumption in the manufacture of stainless steel housings at our site in Chennai, India, for which we have set ourselves a target of >90% and improved further to 86.6% in the reporting period. We also succeeded in reducing wood and cardboard waste here by 10% compared to the previous year. By reusing wooden pallets and optimizing cuts, the site achieved savings of around €15,000 in the reporting period. At our sites in Germany, around 95% of pallets used meet the Euro pallet standard specified by the European Pallet Association (EPAL). The international exchange system for these pallets ensures a very high reuse rate. Disposable pallets are used for long-term storage – as long as they are in working order – and are recycled at the end of their useful lives.

Our programs for avoiding errors in production, discussed in more detail under **Product responsibility** (Section 3.2.3 of this report), represent a significant contribution to the topic of resource efficiency. By developing new products that require less material and energy to manufacture and in their later use, we are making a targeted and long-term contribution to raising resource efficiency along the entire value chain. Examples of this are provided in the section **Sustainable innovation** (Section 3.3.2 of this report).

In addition to waste prevention, a further cornerstone of our sustainable use of resources is the growing separation and recycling of waste. To this end, we prepare and distribute waste manuals in paperless form with instructions for our employees. We also participate in workshops of the Working Group Waste of “Modell Hohenlohe” (a regional network for corporate environmental protection and sustainability). Our performance indicator in this field is the recycling rate, which describes the amount of recycled waste as a proportion of total waste generated. We have developed a process for this purpose which records the current recycling rate and enables us to identify potential for further improvements. In the reporting period, the recycling rate at our Waldenburg site fell to 74.5% (2018: 82.3%). This was mainly due to the lower recyclability of materials

no longer required following a one-off streamlining of our material store. The non-recycled portion was sent for thermal recovery. Waste management is also part of the sustainability efforts at our Cologne site. In addition, the site's water decalcification plant helps protect the pipelines and thus maintain the supply infrastructure. In the same way, our IT environment at the Waldenburg site is equipped with an interruption-free power supply with downstream emergency power generator and redundant data outsourcing to a second, physically separate computer centre.

At R. STAHL, resource efficiency begins with the planning and procurement process. To ensure a sufficient supply of raw materials at all times, we maintain long-term supplier partnerships with future-oriented cooperation based on our planning figures. We also conclude framework agreements with our suppliers with extended notice periods and ensure additional procurement channels for critical materials.

The fundamental risks associated with the efficient use of resources are the developments in the waste management market. Moreover, political and regulatory requirements may lead to changes in the risk situation. Neither of these aspects is within our immediate sphere of influence. We counter the possible risk of material-related resource bottlenecks resulting from our business activities by establishing supply channels with several suppliers.

### 3.2.2

#### Energy and emissions

Energy and emissions is a further focus area of our activities relating to environmental matters. In addition to the use of renewable energies, we also aim to increase our energy efficiency so that we can reduce our greenhouse gas emissions or compensate for them in a climate-neutral manner. Against this backdrop, our facilities in Waldenburg, Weimar and Cologne are certified according to DIN EN 16247 and the measures this involved have enabled us to reduce CO<sub>2</sub> emissions by more than 30% in the last five years. Our highly efficient combined heat and power plant in Waldenburg makes a major contribution to the long-term reduction of emissions. After starting regular operations at the beginning of 2015, it supplied 22.6% of our annual electricity needs at this site in the reporting period. At our Indian site in Chennai, 10% of annual electricity needs were covered by our own photovoltaic systems in the reporting period (2018: 9.7%). This reduced annual carbon dioxide emissions in Chennai by about 100 tons.

The quantitative performance measurement of our efforts to improve energy and emission efficiency is based on the use of our energy sources, electricity and gas, in relation to sales (kWh/€) as well as the volume of CO<sub>2</sub> emissions in relation to energy usage (t/kWh). In order to identify focal points of consumption and additional potential savings, we continue to install further energy consumption recording and evaluation systems. We also continuously check our ventilation systems and equipment for generating compressed air – which account for a significant part of our energy consumption – with regard to their energy efficiency and develop concepts for improvement measures. Against this backdrop, we began replacing conventional lighting in the main building in Waldenburg with LED luminaires in 2019, thereby reducing these particular energy costs by 75%. Further funds are available for the successive replacement of luminaires in the current year. The replacement program is scheduled to be completed in 2023. In Weimar, the ventilation system and associated heating system for the production halls will be replaced in the current year. In addition to the expected savings in energy costs, state subsidies for energy-efficient conversion measures mean that the measure will soon offer a high return on the investment. Our location in Cologne is certified according to DIN EN 16247, a European standard that specifies the requirements for the quality of energy audits. The new building completed there in 2015 was constructed using energy-saving methods and with the aid of energy-efficient lighting.

At our Indian production site, we already laid the foundation for a standardized continuous improvement process for our environmental performance with our certification in accordance with ISO 14001:2015. Pollution from dirt, dust and noise in the vicinity of each workplace is analyzed and, if present, eliminated. An audit was successfully conducted in October 2019. TÜV-Nord confirmed the company's certification of the ISO 45001:2018 standard on health and safety issues. With the aid of the Environmental Management Program (EMP) introduced in Chennai and associated measures such as lighting management in offices, the use of solar power for lighting during the day and the optimization of the compressed air system, annual energy costs were reduced by a total of €14,000.

In the current year, we plan to introduce an environmental management system in accordance with DIN ISO 14001. In this context, we also intend to appoint a Group Environmental Manager. In addition to our own commitment to the responsible use of energy and the reduction of emissions, we are also receiving an increasing number of inquiries from customers on this topic.

The external risks arising from the topic of energy and emissions mainly relate to changes in the legal requirements. With regard to minimizing risks along our supply chain, we operate a combined heat and power plant at our Waldenburg site to secure electricity supplies. In addition, we cover part of the electricity requirements at our production sites via our own photovoltaic systems, which make us independent of purchased energy sources.

### 3.2.3 Product responsibility

The key elements of product responsibility we have identified are: the harmlessness, customer safety, product transparency and labelling of our products, our environmental impact and our feedback culture.

In order to secure the harmlessness and customer safety of our products, we obtain declarations from our suppliers stating that no conflict materials are used within the supply chain we can influence. This was prompted by the US Dodd-Frank Wall Street Reform and Consumer Protection Act which aimed to strengthen accountability and transparency, and to provide proof that by using certain raw materials (conflict materials) in their production, companies were not funding armed groups in or near the Democratic Republic of the Congo. Against this backdrop, we conduct annual surveys among those suppliers whose products contain conflict minerals in accordance with the RMI standard (Responsible Minerals Initiative, <http://www.responsiblemineralsinitiative.org>) and using the Conflict Minerals Reporting Template (CMRT). Conflict minerals are metal ores that are mined in conflict or high-risk regions and are often mined illegally or outside state control. In such cases, there is often systematic violation of human rights and international law. The requests for information are triggered annually by a process stored in the QM system "Procurement Service" on the basis of the latest CMRT and the currently valid Smelter List. In the reporting period, our requests were answered by more than 90% (2018: 75%) of the 74 suppliers we contacted. The CMRT report is also provided to customers on request. We ensure meaningful reports by checking, monitoring and requesting information from our suppliers. We also conduct regular audits of our 100 or so top suppliers with the aim of auditing at least 20% of them annually. In the reporting period, we carried out 27 audits of our top suppliers (originally planned: 19). This significant overachievement was driven by new product developments and the resulting additional requirements from development and purchasing departments. 16 audits are planned for the current year. A Statement on Conflict Minerals is also made available on our website, in

which we undertake to comply with the high standards imposed by our industry association ZVEI.

With regard to the transparency and labelling of products, we consider the proportion of our products that is subject to statutory information requirements. In the heavily regulated market for explosion protection solutions, all products are subject to labelling requirements in accordance with the respective legislation. In 2019, we once again met all requirements in full. Our products all have multilingual operating instructions (German, English and other languages), which can be viewed online at any time. These include all required information and instructions for safe and proper installation, commissioning, usage, maintenance and disposal. The accurate and professional marking of our products with type plates and serial numbers is also important with regard to traceability. In the reporting period, for example, this enabled us to conduct a product recall (6036 and 6149 series luminaires) without any problems. In the current year, we want to establish the necessary conditions for even more transparent and efficient traceability of our products and components.

We regularly evaluate the extent of environmental pollution that can result from the use of toxic materials in our products. Against this backdrop, we confirm our compliance with the European regulation concerning the registration, evaluation, authorization and restriction of chemicals (REACH) and the directive on the restriction of the use of certain hazardous substances in electrical and electronic equipment (RoHS). In principle, our aim is to completely dispense with raw materials and purchased parts which contain health-endangering substances wherever possible. Insofar as it is technically feasible, we therefore replace raw materials and components containing substances requiring declaration with those which contain harmless materials. When using substances with manufacturing or usage restrictions, our products are provided with corresponding declarations.

In order to monitor forbidden or restricted materials, we store substance-specific information in our central data system and also use it to certify the compliance of our products. The data is entered in accordance with DIN EN 62474 (Material Declaration for Products of the Electro-technical Industry – IEC 62474 Database on Material Declaration - Information of the "European Chemical Agency" (ECHA) – Supplier Data from Annual Declaration of Ingredients According to IEC 62474). We pass on information to our customers by means of statements on the conformity of our products with RoHS, WEEE, battery and other national, European and international regulations and guidelines for the monitoring of raw materials and purchased

components regarding forbidden substances and those which must be declared. In this way, we ensure compliance with the relevant guidelines.

Similar to Waldenburg, we apply the guidelines of the Indian Environmental Management System (EMS) to every new material to be used at our plant in India. Key quality indicators are recorded and evaluated, while regulations pursuant to RoHS and REACH, as well as energy-saving measures, are initiated and implemented.

R. STAHL has also been represented in the ZVEI working groups "Materials Policy" and "CE Marking" since 2019. These working groups meet twice a year, discuss with experts and company representatives the implementation of the existing European and non-European directives and work on ZVEI recommendations. The relevant information from the working groups is passed on to our experts and the relevant departments and thus considered in the design, development and manufacture of our products. In the reporting period, particular attention was paid to the requirements coming from non-European markets. In the current year, as part of the environmental management system being introduced, we will not only be appointing an Environmental Manager, but also a Materials Compliance Officer with responsibility for coordinating these activities.

In addition to the direct measures taken in our operational processes described above, we also sustainably reduce the environmental impact of our entrepreneurial activities by developing resource-conserving new products. Details on these products are provided in the following topic area **Economic benefits** (Section 3.3) of this report. We regularly incorporate feedback from our customers into the continuous improvement of our processes and products. An essential aspect of our feedback culture is delivery quality, which we monitor via the average complaint rate. For this purpose, we have established an online complaint management system in which all incoming customer complaints are evaluated according to originators and causes. In the reporting period, the complaint rate for the R. STAHL Group further improved to 1.01% (2018: 1.04%). For the current year, we are aiming for a complaint rate of <1%. We regard the regular recording of customer satisfaction with our products and services as a further important element of an efficient feedback culture. As planned, we continued to make progress in 2019 with our preparations for a customer satisfaction analysis, which will be conceived, conducted and evaluated in the current year in cooperation with a university.

Following our standards of highest safety and quality of our products, we recalled a total of around 34,500 lumi-

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naires from the 6036 and 6149 series in the reporting year. The recall was made without any customer complaint. The reason for the recall were findings from aging simulations of the plastic tubes that represent the luminaires' housings. According to these findings, the plastic tubes of the recalled luminaires may lose their required mechanical stability over a long period of time. The replacement of the luminaires started in the year under review and should be largely completed in the current year.

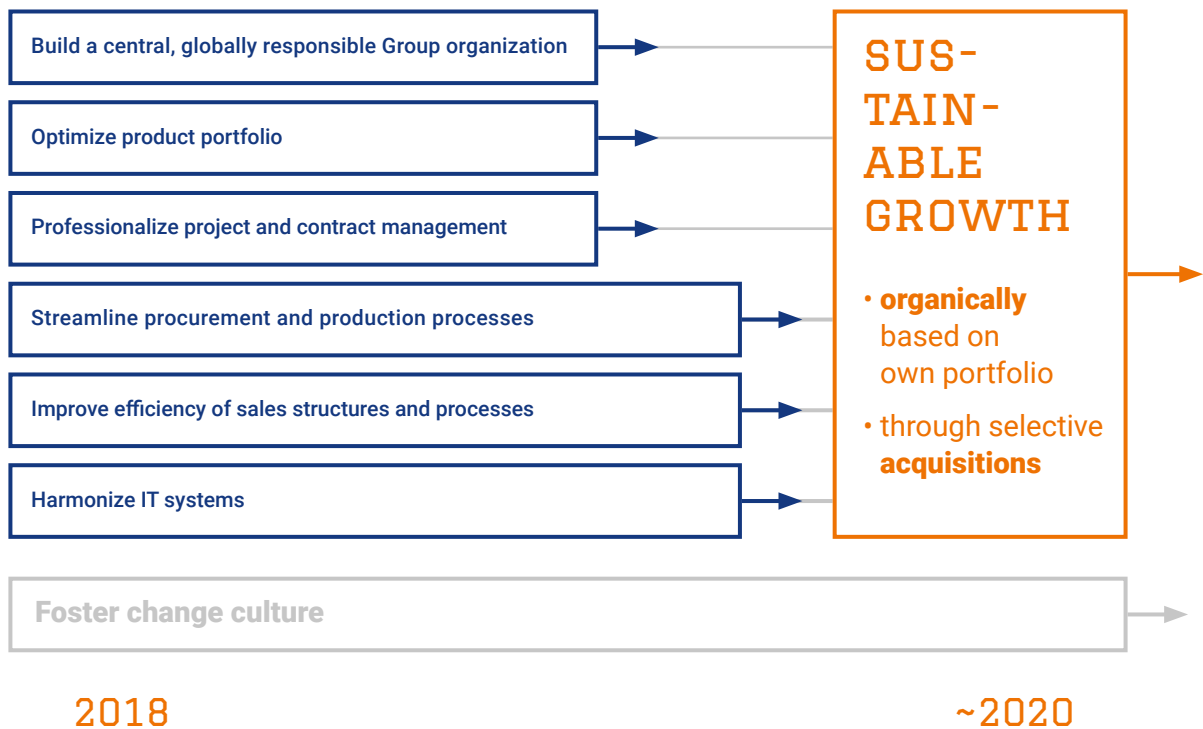
In the year under review, our qualified experts once again imparted up-to-date, practice-oriented knowledge on all aspects of explosion protection to our customers and other interested parties and deepened this knowledge with specific exercises and workshops. The courses held at numerous locations in Germany, Austria and Switzerland cover a wide range of topics. They range from the technical and normative basics to the installation and maintenance of electrical systems, the construction of intrinsically safe power and communication networks, as well as lightning and fire protection in potentially explosive atmospheres. In cooperation with the Ernst Abbe University, R. STAHL organizes events in Jena which are specially designed for machine and apparatus manufacturers. The workshops focus on the ignition-protected design of non-electrical equipment, while three-day specialist seminars deal with standard-compliant risk assessment pursuant to ATEX and the Machinery Directive. A further seminar block is dedicated to digital test procedures for the software-based testing of explosion protection, as well as functional and operational safety. R. STAHL also holds a series of training courses on IECEx certification of persons qualified to test electrical and non-electrical explosion protection. As part of its roadshow "Explosion Protection Day", the company also tours Germany to provide information on technological innovations and new developments in the world of standards. The current seminar program is available at: <https://r-stahl.com/en/global/services-and-seminars>.

**3.3 ECONOMIC BENEFITS**

**3.3.1 Corporate success and jobs**

In order to achieve sustainable success in dynamic markets, companies need excellent products and fast market access, as well as competitive corporate structures and processes. Since focusing on explosion protection in 2005, R. STAHL has continuously and consistently expanded its global market positions – with innovative and value-adding new products, its evolution from component manufacturer to system supplier, its regional expansion in growth markets and with its company acquisitions. For example, new products account for approximately one third of total sales.

However, the decline in sales and earnings in 2016 and 2017 highlighted that our cost and corporate structures, as well as our operational processes, were not sufficiently sustainable to also operate profitably under difficult market conditions. We have therefore given top priority to reducing our high level of complexity in these areas and thus raising the efficiency of our structures and processes. We intend to achieve this with the Group's global realignment program "R. STAHL 2020", which we began to implement in early 2018.



The common theme of all these measures is the streamlining of structures and processes along the entire value chain – also known as “lean management”. A key success factor here is the rapid and targeted implementation of measures, which requires close control of the change process. A central tenet of lean management is also the creation of a permanent change culture, not limited to the one-off application of efficiency methods but in the sense of a management approach for the holistic development of a company towards a learning organization. As a core element of the R. STAHL 2020 concept, lean management therefore plays a vital role in the sustainable and efficient use of resources and in maintaining our competitiveness – thus addressing a large number of key sustainability aspects. To this end, we want to establish market-leading standards in all business-relevant processes. Following the successful implementation of the structural measures in 2018, the focus in 2019 was particularly on the introduction of standardized processes in line with lean management principles – also in our sales units in Italy and Spain.

By the end of the reporting period, we had already reached several major milestones of our R. STAHL 2020 efficiency program. The Group's new matrix organization with globally responsible departments was introduced on 1 April 2018. We have reduced complexity in our product portfolio by about half by lowering the number of saleable items. By introducing the lean management philosophy at our production sites worldwide, we were able to significantly increase productivity and standardize our key performance indicators. In the case of orders for major projects, we have significantly improved the relationship between profitability and risk with the aid of a structured bidding process. Our new functional IT organization enables us to provide global IT support at all times. The standardization of our IT systems has already begun and should be completed by 2023 at the latest. Further details and information on R. STAHL 2020 can be found in the Annual Reports 2018 and 2019.

By significantly improving profitability, we aim to create the necessary conditions and scope to exploit the opportunities for sustainable and profitable growth in our markets more fully in future. On this basis, we defined further strategic growth areas and measures in the reporting period, aimed at further developing existing markets and opening up new ones:

**Growth from new business activities:** Against the backdrop of the growing public debate about the consequences of global climate change, we see potential along the value chain of liquefied natural gas (LNG) in the short and medium term. We therefore intend to use our already strong market position in the LNG tanker segment to expand

our business in the field of natural gas production and liquefaction, as well as in the downstream processes of unloading and regasification. In the medium to long term, we see great potential in the fields of hydrogen technology and synthetic fuels. We already have technologies in place to equip the respective large-scale industrial infrastructures. In addition, we have defined strategic measures with which we intend to exploit the opportunities arising from digitalization. As well as refining our product portfolio in the field of automation in line with market needs and developing digital business models, we are also driving digital processes in administration and production areas.

We laid the first foundation stone on our path towards “Industry 4.0” during the reporting period with the creation of a project for increasing automation in our production. Among other things, the use of collaborative robots, software solutions and largely modular systems is currently being examined and tested. We are systematically addressing the high training requirements for Industry 4.0 and plan to invest in a pilot plant in the current year, where trainees, students and employees will have the opportunity to learn the principles of networked digitalized processes and thereby acquire and expand the necessary skills.

**Growth-enhancing supplementary measures:** In addition to new business activities, we also see growth opportunities in our current markets from a more targeted allocation of existing resources. In the reporting period, we established conditions for the sustainable acquisition of necessary decision-relevant data and the expansion of our market intelligence. In addition to external industry reports, market studies and information on our competitors, internal data is regularly incorporated into this process, including information from sales and product development, analyses from the controlling department and market-relevant information from customer interviews. The data already collected confirms our excellent market position in Europe, but also clearly indicates our below-average market position in all other parts of the world, and thus the potential for expanding our regional market shares. As the market for explosion protection is regulated by certificates, it is imperative that we have the necessary supplier qualifications for our customers. We are therefore driving these efforts as part of our strategic market development, and at the same time helping to shape and develop the relevant technical standards. In addition, the implementation of our global human resources strategy will lay the foundation for a sustainable competitive positioning as an attractive employer, enabling us to achieve our efficiency and growth targets with the necessary specialists and managers and thus secure our technological leadership.

As a technology-driven manufacturing company, we compete globally and regionally for skilled and well-trained employees. In Waldenburg in particular, the Group's largest production site in the Hohenlohe-Franconia region, demographic change has led to an increasing shortage of apprentices and skilled workers. This motivated us to differentiate our apprenticeship activities with the "Dualis" quality seal of the Heilbronn-Franconian Chamber of Commerce (IHK). The aim was to improve our prospects amid growing competition for skilled staff and to be able to demonstrate the high quality standards of training at R. STAHL to school-leavers and students. Dualis is a certification awarded by the Heilbronn-Franken Chamber of Commerce and Industry (IHK) for companies with above-average training quality in dual training courses. Staff from our HR and Training departments played a leading role in the development of this certificate. R. STAHL was thus the first company in the region to be certified by "Dualis". In 2016, R. STAHL Schaltgeräte GmbH was successfully re-audited by the Heilbronn-Franconian Chamber of Commerce. The findings of this first re-audit underlined that the standard of training remains above average and has even increased since the first audit four years ago. Our excellent training quality was also confirmed in the reporting period by the study "Germany's Best Training Companies" – we took second place in the Electrical Industry category. Our apprentices have thus become compelling educational ambassadors for us. At our locations in Waldenburg and Weimar, the apprenticeship ratio, i.e. the ratio of apprentices to the total workforce, remained at a consistently high level of 8.9% (2018: 8.8%). Further measures to secure our long-term personnel requirements can also be found under

**Benefits for the region**, Section 3.5.1.

We also successfully reach out to young people by participating in a total of seven (2018: nine) vocational training fairs and careers information days, publishing brochures on our training possibilities, offering company tours and placing job ads in the relevant online and print media. This enables us to attract suitably qualified applicants for our available apprenticeship positions. Our efforts focus in particular on raising our regional profile by cooperating with kindergartens and schools and getting girls and young women interested in MINT professions. Our cooperation in this regard with two kindergartens and two primary schools in the Waldenburg region has been running for over ten years now. We also give teachers the opportunity to get to know R. STAHL and the quality of its training and careers by allowing them to sit in on lessons or tour the company. In addition, we have numerous cooperation arrangements with schools in the Hohenlohe district and offer various internships with clearly defined content and processes. Opportunities to contact new employees also arise from our

cooperation with universities, such as Jena University of Applied Sciences, where we launched an innovative project for a modern manufacturing concept (Smart Assembly) in the reporting period.

Nevertheless, the recruitment of junior staff remains a challenge and requires further efforts in order to fill vacancies in the appropriate quantity and quality. For the current year, we have therefore planned the production of a brochure for our training departments, which will support our personnel marketing measures. In 2019, we took on 28 students and apprentices; this number will increase by two additional places for the training of IT specialists in the current year.

In the reporting period, R. STAHL started a cooperation with the football academy in Ilshofen, a neighbouring community of our Waldenburg site. The academy trains talented players between the ages of 14 and 18. The aim of the cooperation is to offer the young people an accompanying vocational training program in order to give them employment opportunities outside of football. Several academy participants took the opportunity to visit our site in Waldenburg and find out about our apprenticeship programs in the reporting period.

Our subsidiary in Cologne gives the children of employees the opportunity to do their obligatory school internship at the company. The offer is very popular with parents and children and thus creates a great opportunity to make initial contact with potential future employees.

In order to secure adequate manpower resources, our HR policy also considers other factors. These include the targeted promotion of employees through training opportunities and job rotation, the promotion of diversity in the workforce, equal opportunities and fair remuneration (see also **Employee welfare**, Section 3.1.2). We use an annual training needs survey to determine the content of our training measures.

Due to the lack of skilled staff, we were unable to meet our target of covering 40% of vacancies with employees from our own ranks with the aid of in-service training in the reporting period. Nevertheless, we will continue to pursue this target in the current year. A total of three (2018: 10) of our employees were seconded from our headquarters in Waldenburg to foreign subsidiaries.

We attach great importance to the ongoing training of our managers. In 2019, we trained further management staff or offered training in topics such as labour law and collective bargaining law. A total of 48 employees took part in



these measures. Our skills management system uses suitable IT systems to register individual training needs via annual surveys and to provide the appropriate offers. The identified needs are met by in-house seminars (e.g. basic training, office applications, skills training) and external training providers with target group-specific courses (e.g. industrial engineering, development, IT, sales, marketing or logistics). In the reporting period, we also created the prerequisites for offering e-learning courses on an even larger scale in future. The first pilot tests with courses on the basics of explosion protection were very successful. This e-learning platform is to be gradually expanded with new programs. We regularly evaluate the effectiveness of the seminars and training we offer. During the reporting period, we trained a total of 586 employees on 218 days (2018: 1,075 employees on 180 days). The reason for the year-on-year decline is the discontinuation of the former mandatory aviation security training courses and the particularly high number of lean training courses (yellow and green belt) in the global production areas in the previous year. Due to new versions of hardware and software, there was an increase in training for office applications in 2019.

A further focus area of our HR activities at the Waldenburg site, where we employ people from 26 different nations, was the help we offer refugees to find employment. In line with our interpretation of social responsibility, we continue to focus on the employment of refugees in our training program. The greatest challenge is the acquisition of language skills to ensure that the success of school and apprenticeship training is not jeopardized. At the end of the reporting period, people from 42 different nations were working with in the Group.

The basic idea of fair remuneration – by which we also mean the principle of equal pay for equal work – has already been largely implemented at our German sites on the basis of statutory requirements and the Remuneration Framework Agreement (*Entgeltrahmenabkommen - ERA*) which forms part of the collective bargaining agreement. We also consider it a success of our compliance measures that we did not receive any inquiries from the workforce under the Transparency in Wage Structures Act (*Entgelttransparenzgesetz - EntgTranspG*) during the reporting period.

Our site in Chennai offers internships in cooperation with educational institutions recognized by the Indian government. This enabled us to fill all vacant jobs in production in 2019. A project was also launched with the aim of appointing a suitable representative or potential successor for all key positions. This was achieved for 80% of all positions in the reporting period and is expected to be completed in

the current year. The necessary training measures for the defined key positions are subsequently implemented via the performance management system. In the reporting period, 20 employees were trained as six sigma green belts and seven employees as six sigma black belts.

As a leading technology company, the ability to find highly skilled employees for the respective positions is of vital importance for our success. The main risks result from a possible shortage of suitable specialists and in the loss of knowledge due to key employees leaving the company. We counter these risks with the measures described under **Employee welfare** (Section 3.1.2 of this report). Further information on how these risks were handled in the reporting year is provided in the Group Management Report 2019 in the section **Basic principles of the Group** under the heading **Business model**.

### 3.3.2 Sustainable innovation

Explosion protection guarantees the safety of people and the environment. New and innovative explosion protection solutions which further increase this safety are thus firmly in line with the fundamental objectives of sustainability. R. STAHL's technology-leading position in the field of explosion protection is based on the strategic anchoring of research and development in our business activities. On average, we invest between 5% and 7% of our annual sales in these activities. In 2019, our research and development expenses amounted to €18.8 million, corresponding to 6.8% percent of sales.

In addition, workplace-oriented continual improvement processes (CIP) and our company suggestion scheme (see also Section **Incentives to think in new ways**, 3.5.2 of this report) form the basis for the continuous optimization of our products. For many decades now, we have been driving the fundamental technological development of explosion protection: examples include the first use of plastic for explosion-protected enclosures in the 1960s, the first explosion-protected fieldbus system and the introduction of remote I/O systems in process automation. For the development of new products, we not only draw on our extensive technological and market expertise, but above all on our findings from customer discussions. Moreover, we already focus on the excellent workmanship and durability of our products during the development phase in order to conserve resources over the long term and promote sustainability. For example, our market-leading range of explosion-protected LED luminaires offers customers numerous solutions to significantly reduce their environ-

mental impact, as LED technology features significantly lower power consumption and longer service life compared to conventional lighting. This reduced electricity consumption also allows the use of cables with smaller diameters, thus reducing the size and weight of the luminaires and enabling additional savings in material usage and freight costs. Together with the longer lifetimes of LED luminaires, these benefits reduce costs over the entire operating and life cycle. In 2019, more than half of all luminaires sold (65%) were based on LED technology for the first time (2018: 41%). In the current year we plan to maintain this trend in Europe and to expand our market share in Asia. In the reporting period, we strengthened the leading position of our portfolio with the market launch of LED luminaires with a digital addressable lighting interface (DALI). In addition, our Norwegian subsidiary developed a new BlueLine series especially for maritime applications, which includes navigation lights, searchlights, floodlights and deck lighting. The modular products are easy to install, offer CO<sub>2</sub> savings and energy efficiency, and are also durable and maintenance-free.

The development process was based on defined customer requirements, which we have summarized under the acronym CARES and which will form the basis for all new developments in future. The aim is to reduce operating costs on the customer side (C, costs), ensure maximum system availability (A, availability), and to offer remote control (R, remote control), low environmental impact (E, environment) and product safety (S, safety). The production technology is also innovative, as it uses a friction welding process instead of multi-stage casting with resins and subsequent curing. In this process, two parts are moved against each other under pressure, whereby the resulting friction causes the material to heat up and plasticize at the contact surfaces. This enables top-quality joint qualities to be achieved within a short time. Further innovative approaches were made in LED technology in the field of animal welfare. By selecting the appropriate light spectrum, the perception of animals (such as insects or turtles) can be reduced in such a way that they are not attracted to the light emitted by industrial plants. We also work together with independent institutes, such as Pendoley Environmental Pty Ltd (Australia), and use their scientifically tested and verified results, together with findings from practical field trials, for this purpose.

Our newly developed EXpressure® enclosure line based on a completely new and revolutionary technological approach for flameproof enclosures ("Ex d") – of particular importance in explosion protection – also represents a significant step forward in the efficient use of resources compared to previous solutions. While maintaining the

same uncompromising level of explosion protection, EXpressure® offers users the benefits of significant material and weight savings for metallic enclosures. In addition, it enables the use of significantly larger enclosure shapes. For applications in which the transport and installation of explosion-protected parts involves particularly high technical and material costs, for example on ships and oil rigs, the use of the lighter EXpressure® enclosures also offers considerable resource savings. We began marketing EXpressure® in 2018 and worked on refining the design with regard to production aspects in the reporting period. EXpressure® technology was used commercially for the first time during the reporting period by a leading supplier of offshore cranes.

In order to quantify our innovative strength, we not only record the new product ratio – the proportion of products sold that are less than five years old – but also the number of patent families in which we actively hold patents. In 2019, our new product ratio was about one third, and we held a total of 335 patents in 71 patent families. We applied for 16 new patents in 2019, and were granted nine. Further information on our activities and success in the field of research and development is provided in our Group Management Report 2019 in the section **Basic principles of the Group** under the heading **Research and development**.

The high innovative strength of our organization and our employees makes them fundamentally attractive for our competitors, with the corresponding risk of losing development employees and know-how to these competitors. We counter this risk by taking measures to maintain and enhance our attractiveness as an employer (see also Sections 3.1.2 and 3.5 of this report).

## 3.4 SUSTAINABLE AND FAIR FINANCES

### 3.4.1

#### Financial decisions

In order to take responsible financial decisions, it is essential to have meaningful key performance indicators (KPIs) and established analytical and control processes. The financial management of the R. STAHL Group is based on a three-year budget for order intake, sales, earnings and liquidity prepared once a year. In addition, there is a regular rolling twelve-month forecast of the key earnings-related variables prepared as part of the monthly financial performance review. Further details on R. STAHL's management system are provided in the Group Management Report 2019 in the section **Basic principles of the Group Management system**.

Stable and sustainable financial management also requires a regular dialogue with the company's investors. The company's liquidity is secured at all times by bilateral financing agreements with various banks. In addition, we concluded a new syndicated loan agreement in the reporting period with a term of three years and an initial total volume of €70 million, plus an expansion option of a further €25 million. This not only created scope for investment in organic growth, but also for acquisition opportunities which might result from consolidation in our competitive environment or the technological expansion of our product portfolio. We provide liquidity for our subsidiaries via a Group-wide cash management and pooling system. A further method for steering liquidity is the active management of our working capital.

In addition to securing long-term external finance, we also attach great importance to trustful relationships with our shareholders. R. STAHL pursues a sustainable dividend policy intended to enable shareholders to participate in the company's business development while maintaining an appropriate capital structure. Key figures for the determination of dividends are net income, the equity ratio and the expected future market development. Furthermore, we regard our proactive dialogue with shareholders as an important contribution to reducing the risk premium and cost of capital, as well as to retaining our long-term oriented shareholders. In this way, we also counter the inherent risks of a lack of operational continuity and sustainability which may result from frequent significant changes in the shareholder structure.

As part of the investment program we implemented in the years 2012 to 2015, we built a new development centre in Waldenburg and established cutting-edge production and administrative capabilities in the field of automation at our facility in Cologne. This created a solid foundation for future sustainable growth. After completing these expansion measures in 2016, annual capital expenditure has returned to approximately the same level as annual depreciation.

Finally, sustainable financial activities also require targeted measures for dealing with financial risks. In order to minimize our financial risks, we have implemented a number of processes in our Group-wide risk management system. Details can be found in the Group Management Report 2019 in the section **Risk report**. In the current year, we also plan to further professionalize our internal audit department by appointing new staff.

### 3.4.2

#### Anti-corruption

Our basic understanding of entrepreneurial activity is based on fair competition, which we aim to win via the quality and value of our innovative products and services. We are therefore committed to strict compliance without exception with all national and international regulations and laws, in particular with regard to the illegal offering or granting of unfair advantages (corruption) in connection with business activities, directly or indirectly, in the form of cash or any other services. To ensure this objective, we implemented a Group-wide Code of Conduct in 2009 which all employees are informed about via e-learning systems. In addition, we require our global executives to submit annual declarations of their commitment to compliant behaviour in all aspects of competition law. We also support compliance with our Code of Conduct by means of our authorization matrix and dual control principle. Although we generally consider the risk of being involved in money laundering attempts to be comparatively low, due to our business model, we create additional hurdles to prevent such attempts with the above mentioned measures. As part of the realignment of our central purchasing organization, we revised our signature regulations for transactions with suppliers and service providers in the reporting period, redefined responsibilities and updated the amount sizes. We also prepared the introduction of a central payment system in 2019, which will be used for Group-wide payment transactions in future. As well as offering a streamlined payment process, this system also offers significantly greater protection against unauthorized payments (fraud). We give top priority to event-driven checks of possible non-compliant behaviour with regard to regulations or laws.

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Experience has shown that our measures have raised awareness of the importance of acting in accordance with guidelines. This is also reflected, for example, in the number of staff queries to the Compliance Officer regarding doubts about the acceptance of invitations or gifts. Since establishing these measures and processes, there have been no reported cases of anti-trust violations. We ensure compliance with anti-trust regulations, e.g. also within our industry when drafting the extremely important technical standards for our business, by providing training as required.

The risks arising from non-compliant behaviour may be significant and can result, for example, in damage claims, fines, penalties, reputational damage or exclusion from tendering processes for public-sector contracts. With regard to the restricted auditing capacities of SMEs, it should be noted that there are only limited possibilities for end-to-end controls – especially along the entire supply chain with a variety of sub-suppliers.

Due to the training measures taken and our corporate culture, we regard the risk of violations by R. STAHL employees as relatively low.

### 3.5 BENEFITS FOR THE REGION

#### 3.5.1

##### Benefits for the region

R. STAHL can look back on over 140 years of history as a traditional mid-sized company. Our production and sales facilities are located around the world and more than 85% of our workforce is concentrated at our seven international production sites. We generate a particularly high benefit for the regions in which these major sites are located.

R. STAHL deepest roots are in the German state of Baden-Württemberg. For many decades now, our largest production facility has been in the Hohenlohe-Franconia region, and since 2001 in Waldenburg. In the reporting period, we completed the long-term restructuring of the building lease agreement for this site until 2038, thus reaffirming our commitment to the region. Around half of our total workforce is based in Waldenburg, as well as our training department, thus making the region especially important for the R. STAHL Group. We are committed to expanding the local educational infrastructure, including initiatives for the preparation, support and implementation of industrial automation and "Industry 4.0", helping to ensure the future viability and prosperity of the region. We are also a member of "Innovationsregion Hohenlohe e. V.", an association of leading regional companies dedicated to supporting thorough training and further education for the employees of the participating companies. It has already resulted in the "MINTec" project (MINT: Mathematics, Informatics, Natural Sciences and Technology), which promotes the teaching of scientific and technical topics in kindergartens and schools and trains apprentices to become learning partners, as well as the "GABI" project (joint training initiative), which we support with a number of activities.

R. STAHL apprentices are given regular didactic training to help inspire children at cooperating schools and kindergartens to later take up MINTec professions. During the project, our apprentices teach and support children in the MINTec workshop. Our range of activities is rounded off by Inventor Days. Innovationsregion Hohenlohe e. V. also succeeded in procuring generous grants from the foundation "Landesstiftung Baden-Württemberg" to support its MINTec activities. A further focus area of the association is to strengthen networking between regional companies, local technical colleges and the Reinhold-Würth University. In addition, support is given for the expansion and further development of Campus Künzelsau, Campus Schwäbisch Hall and Heilbronn University of Applied Sciences. This ensures the long-term, seamless continuation of MINTec –

from kindergarten to university. Common interests of the association's member companies are translated into specific training and further education measures. For example, a two-year electrotechnical apprenticeship was launched and new university courses have been set up in line with the requirements of member companies. Moreover, executives are involved in educational work, for example by playing a leading role on the Advisory Board of Heilbronn University of Applied Sciences or serving as board members for the support associations of technical or commercial colleges in the region.

As part of their holistic education program, apprentices at R. STAHL also have the opportunity to gain experience in social projects in addition to their technical training. A social project week is held annually during the last school week before the summer holidays, with around 40 trainees supporting various social institutions with a total of around 1,600 working hours. For example, we support local retirement homes, facilities for the disabled, and the SOS Children's Village in Waldenburg. We also play an active role in helping refugees integrate into local society and provide ongoing support for them. In 2019, one refugee successfully completed the technical apprenticeship he began in 2017 and was taken on as a skilled worker; two others began their technical apprenticeships in the reporting period. Our commitment to the Hohenlohe region is rounded off by the support we provide for local sporting events.

In 2019, we supported the local fire brigade of our Weimar site in the form of donations in kind.

In a comparison of 500 companies with more than 10 employees in the Vaucluse region, our subsidiary in France performed particularly well in the reporting period. In terms of sales growth over the previous year, our site took seventh place with year-on-year growth of around 63%.

With a budget of 2% of its annual net profit, our subsidiary in India supports local projects in the Chennai region including the Roshini Homes children's home, which provides shelter and education for orphans. In the USA, our employees in the Greater Houston region support the Salvation Army by donating money for Christmas presents (Angel Tree) which are given to people in need. In the reporting period, Christmas presents were handed out to both adults and children.

Risks associated with the above mentioned measures mainly relate to the availability of the necessary funds and employee capacities.

### 3.5.2

#### Incentives to think in new ways

The continuous improvement of products and processes requires systematic management of ideas and innovation. The aim is to harness and integrate the knowledge and creativity of all employees in order to strengthen our competitiveness.

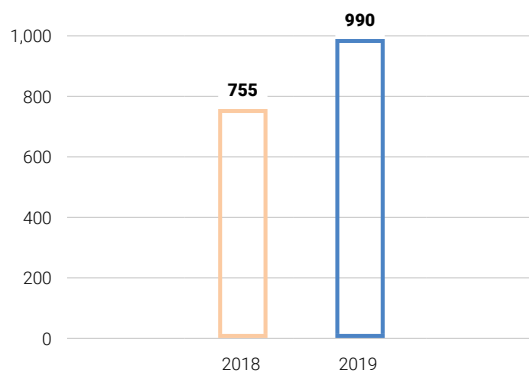
Our R. STAHL 2020 efficiency program, launched in 2018, involves far-reaching changes in the Group's organization and processes. In addition to streamlining structures and processes, the focus is on creating a permanent culture of change characterized by continuous learning. To this end, we have trained additional production staff in lean management methods (six sigma) and raised the total number of employees trained to 990. At 97.8%, we almost achieved our goal of a six sigma training rate of 100% across all production sites during the reporting period. After largely completing the lean training courses, our efficiency program therefore focused increasingly on the further development of lean processes in the reporting period.

In order to drive the continuous development of our organization and corporate culture, we apply the methodical concept of continual improvement (also known as "kaizen" in the language of lean management). Kaizen measures generally include controlled idea generation as part of a standard-compliant quality management process. The aim is to continuously improve existing processes. Good suggestions for improvement are recognized with cash or non-cash rewards. In the reporting period, cash and non-cash rewards totalling approximately €38,000 were distributed.

Of the 950 kaizens planned at our German sites Waldenburg and Weimar for the reporting period, a total of 990 were implemented (2018: 755), and 228 at our production facility in Chennai (2018: 119). Once again, this resulted in sustainable cost reductions in the low single-digit million range, including around €100,000 from optimized production processes at our lighting site in Weimar. The savings achieved via continuous shop-floor management and Gemba walks are not only financial, but can also be expressed in terms of reduced workload, shorter distances and more intelligent control of value flows. For the current year, we plan to further expand our lean measures, including in our administrative areas (lean office) and training department (lean education). At the Waldenburg site, we also intend to launch a project for automated material flow (milk run).

Our ideas management measures are supplemented by further incentives to think in new ways. These include "STAHL goes crazy", a creative project series initiated by our apprentices to promote lateral thinking. We also regularly organize colloquia with speakers who discuss interdisciplinary topics from various areas with our executives, such as health, social policy or personal development. The aim is to raise awareness among staff for accountability and sustainability in word and deed – something which is manifested in our daily work and corporate culture.

#### NUMBER OF KAIZEN MEASURES AT THE SITES WALDENBURG AND WEIMAR



## 4. FINAL REMARKS

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With the introduction of the German CSR Directive Implementation Act on 19 April 2017 to implement the guideline 2014/95/EU (so-called CSR guideline to disclose non-financial information and details concerning diversity), and in accordance with Section 315b HGB, R. STAHL was required to include a “consolidated non-financial declaration” in its Group Management Report for the first time as of the fiscal year 2017. Pursuant to Section 315c in conjunction with Section 289c HGB, the company must provide details on the five aspects Environmental Matters, Employee Matters, Social Matters, Respect of Human Rights, and Anti-Corruption and Bribery Matters. These aspects are fundamental elements of our sustainability-relevant activities. As in the previous years, R. STAHL is utilizing the option under Section 315b (3) HGB of alternatively publishing a non-financial Group statement for fiscal year 2019, outside of its Group Management Report, which is available on the company’s website [www.r-stahl.com](http://www.r-stahl.com) in the section [Corporate Responsibility/Sustainability](#).

The reporting period for this non-financial Group statement is the calendar year 2019. The reporting period is thus identical to that of the Consolidated Financial Statements 2019 and the Group Management Report 2019. The non-financial Group statement is prepared and published annually.

Waldenburg, 13 March 2020  
R. Stahl Aktiengesellschaft



**Dr. Mathias Hallmann**  
Chief Executive Officer

## **IMPRESSUM**

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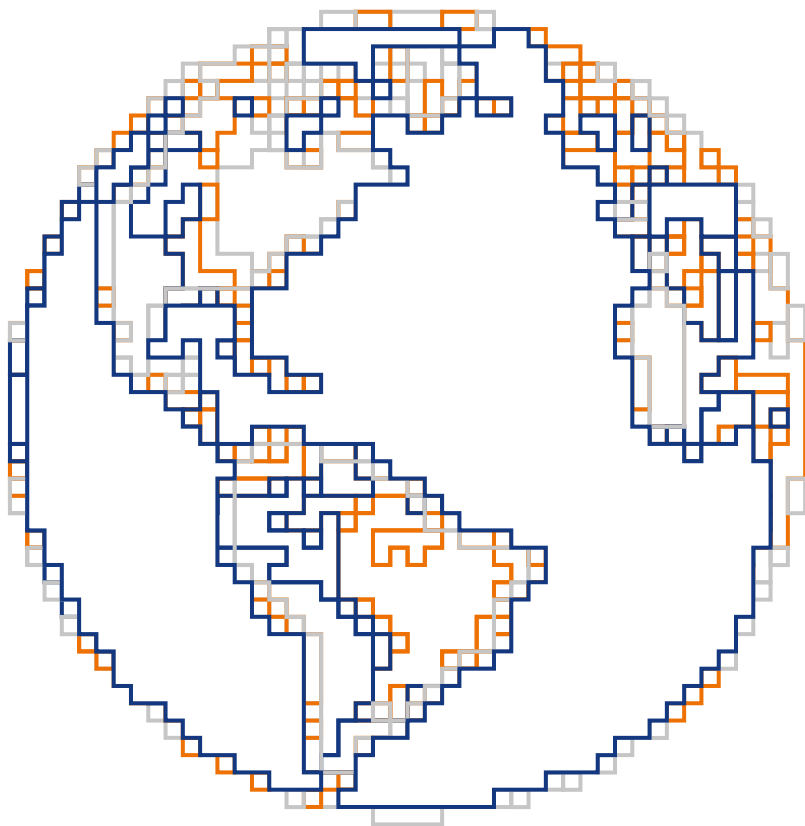
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