

NON-FINANCIAL GROUP STATEMENT (NOT AUDITED)

The responsible treatment of people and the environment combined with integrity and transparency in corporate governance are at the very core of our sustainable business success. The conduct of employees and company representatives, which at all times complies with the law and is based on the principles of the honorable businessman, is our guiding principle. By following this principle, we create sustainable value for all our stakeholders and make tangible contributions to the ecological and social development of society. This process also includes the ongoing scrutiny of our actions and the impact they have both on us and on others. Corporate social responsibility (CSR) is thus also a long-term commitment to improving the quality of life of people around the world – an objective that our safety products and solutions fulfill every day with the greatest degree of reliability.

The strict corporate governance standards that must be met by listed companies headquartered in Germany is

already derived from the applicable legal system and in particular from the German Corporate Governance Code. We have also implemented supplementary Groupwide policies, including the Code of Conduct, which is binding for all employees and observance of which is ensured by a Group-wide compliance management system. Effective mechanisms for ensuring compliance with the relevant policies have been established through the authority matrix anchored in our organization and the dual control principle, according to which legally binding and financially effective decisions may not be made by one individual but only by two authorized persons. The publicly and globally accessible, fully anonymous whistleblower system *R. STAHL Integrity Line* has been in place since October 2020 and offers the opportunity to report compliance violations to the company. The system can be accessed at <https://rstahl.integrityline.org>. No reports were received through the *Integrity Line* in the reporting year.

Control of the R. STAHL group is primarily based on financial targets in keeping with the principle of value-based management. Non-financial targets may also be taken into account. This reflects our corporate responsibility, which we view in the context of economic activity together with environmental, social as well as governance action. Responsible cooperation with our stakeholders – first and foremost our customers, suppliers, employees, shareholders, financial institutions and the interested public – is a top priority in our organization and in our processes. Because business success is inseparably linked to the commitment of creative and motivated employees, we emphasize the importance of attractive employment conditions with healthy and safe working conditions, fair compensation, targeted training opportunities and equal opportunities – all as part of our human resources strategy. Our customers rely on the quality of our products, which are renowned for their uncompromising safety and reliability as well as for their excellent workmanship and durability – over the course of nearly a century. As a technology leader in our industry, we want to secure this confidence in the future with outstanding, innovative products that deliver sustainable value creation and contribute to the advancement of technological progress. To achieve this objective, we not only expect a great deal from ourselves, but also from our suppliers. In addition to compliance with the law and labor and environmental standards, we also strive to ensure the efficient use of resources.

The successful integration of sustainability criteria into value-based corporate management requires a compre-



hensive approach and the fundamental integration of ESG criteria into the Group strategy. Appropriate key performance indicators must be defined for quantitative performance measurement and control, and the necessary systems for regular data collection and evaluation must be established. R. STAHL has been reporting on selected key performance indicators to illustrate the sustainability aspects and criteria practiced in the company since 2017. In the current year, the formulation of a key performance indicator system, the content of which will be very closely oriented to the criteria of major organizations for ESG assessment of listed companies, is to create the basis for a Group-wide ESG reporting system to be established in the medium to long term, a system that will serve as a starting point for the methodical integration of sustainability criteria relevant for R. STAHL into the Group strategy.

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 Non-financial Group statement in its Group management report for the first time as of financial year 2017. Pursuant to Section 315c in conjunction with Section 289c HGB, the company must provide details on 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.

For financial years 2017 to 2019, R. STAHL has made use of the option pursuant to Section 315b (3) HGB to alternatively prepare a separate non-financial group report outside the Group management report and to publish it on the company's website www.r-stahl.com under the heading **Corporate Responsibility**. For reporting year 2020, the non-financial Group report has been integrated into this combined management report of the company for the first time. This step is a reflection of our understanding of the central importance of sustainability for the continued existence, development and social responsibility of R. STAHL.

The [Non-financial Group statement](#) is prepared and published annually. The reporting period for this [Non-financial Group statement](#) is the calendar year 2020. The reporting period is therefore identical to the consolidated financial statements for 2020. As in the past, the Supervisory Board of R. STAHL AG reviewed this [Non-financial Group statement](#) without external support.

PREPARATION METHODS OF THE NON-FINANCIAL GROUP STATEMENT

As in 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.

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 on page 58).

We discuss our concepts, risks and performance indicators as relate to these topics below. Additional information on the risk situation can be found in the [Risk and opportunity report](#) of this management report.

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 2019, we also began to integrate sustainability aspects pursued by our subsidiaries in Norway, France, Korea and the United Arab Emirates into our reporting. Our company in South Africa was added in the reporting year.

SUMMARY OF THE WIN CHARTER PRINCIPLES ON THE TOPICS RELEVANT TO R. STAHL

Guiding principle of the WIN Charter	Topic
01 – Human rights and employee rights	Human rights, social and employee matters
02 – Employee well-being	
03 – Stakeholders	
04 – Resources	Environmental matters
05 – Energy and emissions	
06 – Product responsibility	
07 – Corporate success and jobs	Economic benefits
08 – Sustainable innovation	Sustainable and fair finances
09 – Financial decisions	
10 – Anti-corruption	
11 – Benefits for the region	Benefits for the region
12 – Incentivizing new ways to think	

MATERIAL SUSTAINABILITY TOPICS IN THE R. STAHL GROUP

Human rights, social and employee matters

Human rights and employee rights

Human and employee rights are fundamental values and we consider it extremely important that they be upheld. 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 particularly important and also lives these values in its daily actions. This also includes cooperation with internal and external employee representatives.

To ensure these values are maintained, we have implemented a compliance management system for all em-

ployees of R. STAHL. A Code of Conduct for suppliers and intermediaries has also been in place since 2019. We are also committed to compliance with the Code of Conduct of our industry association (German Electrical and Electronic Manufacturers' Association – ZVEI). On the measures side, we conduct training courses and obtain declarations of commitment electronically. As part of our hiring process, we ensure that new staff are aware of our Code of Conduct and regularly train and review this knowledge through the use of 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 a generally very low number of individual and collective legal proceedings at both the national and international level, as well as the absence of arbitration procedures required by employee co-determination laws. In the reporting year, there were once again no proceedings involving arbitration bodies

subject to co-determination. Only two labor law proceedings were conducted; no other court proceedings took place at either the national or international level. As has been the case in the past, we did not receive any complaints under the General Equal Opportunity Act in the reporting year.

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 should be considered that SMEs in particular have only limited monitoring capacities. This means that seamless control across the entire supply chain is difficult to achieve – due in part to the variety of subcontractors.

Adherence to laws, internal rules and compliance regulations together with the importance of the company's acceptance of its social responsibility meet with a very high level of acceptance among R. STAHL's workforce. A survey conducted in 2019 and followed up during the reporting year showed that 88% of participating employees were aware of all rules and regulations relating to their tasks, including in particular the Code of Conduct. 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 that staff are regularly reminded of through a range of 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.

In December 2019, EU Directive 2019/1937 came into force, which gives whistleblowers uniform protection throughout Europe in future. EU member states are required to implement this directive into national law within two years. Since October 2020, and thus well before the legally required implementation, we have been offering whistleblowers the opportunity to anonymously report violations of laws and guidelines through the whistleblower system known as *R. STAHL Integrity Line*. The system is publicly accessible through the R. STAHL website. No reports were received by the company through the *Integrity Line* in the reporting year.

Employee well-being

Given the level of 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 wellbeing of all our employees.

This helps improve their performance and fosters 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 managers who integrate this important topic into their regular communication activities. In all departments, for example, accidents and entries in the first-aid record 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. We have established a safety, health and environmental protection committee and a health management system at our German sites in order to safeguard our goals and measures. We pursue the goal of achieving a zero work-related accident rate (Vision Zero), for which we again held workshops with managers and developed action plans in the reporting year. As part of this process, measures are repeatedly identified and implemented to improve our accident figures. Coming from an already low level, occupational accidents at our German sites fell by an additional 8% in the reporting year to a total of eleven cases (2019: 12). The number of hours lost decreased in an identical manner, and the number of entries in the first-aid record was reduced by another 22% to 205 (2019: 264).

In the production areas, a bi-weekly work safety circle was introduced in 2019, where our safety specialists discuss current 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.



We regularly offer preventive healthcare measures for our workforce, including vaccinations, medical consultations with our company doctor and participation in our sports groups. Wherever possible from an operational perspective, we meet employee requests for part-time work in order to help them balance work and family life. We conduct an annual training needs survey to determine the content of the courses offered. The needs that are defined on the basis of this survey are met by inhouse 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 year under review, it was not possible to implement these programs due to the Corona virus pandemic.

To promote the wellbeing of our employees, we provide company restaurants with subsidized meals at our largest locations. We also provide a broad range of voluntary social benefits including paid leave for weddings, for the birth of a child, for moving to a new home or for funerals. 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 that fosters partnership and cooperation by holding sports festivals and Christmas parties, as well as by organizing events to celebrate 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.

The impact of the Corona virus pandemic on the daily lives and work of our employees, which necessitated extremely careful health protection measures, naturally played an extremely important role in the reporting year. Through the implementation of concepts at an early stage to prevent the transmission of the virus, we have been able to very effectively stop the spread in our operating facilities. The crisis team that was established in February 2020 and which consists of the Executive Board and experts from human resources, occupational health and safety, labor law, medicine and communications, defined Group-wide precautionary and protective concepts early, initially analyzed the incidence of infection on a daily basis and promptly informed employees, customers and suppliers. Further precautionary and protective measures were implemented at our subsidiaries worldwide, taking into account regional regulatory requirements. The connection of the IT network to a local fiberoptic network at the beginning of the year allowed the Group to significantly expand

its mobile working capacity at the Waldenburg site within a short period of time. Mobile work was also introduced to a large extent in the subsidiaries to reduce the transmission of the virus.

In India, a nationwide curfew lasting several weeks also led to the temporary closure of our site in Chennai. Mobile container solutions in the immediate vicinity of the plant enabled us to provide our employees there with overnight accommodation at short notice, which meant that they were not forced to use the often overcrowded public transport.

Thanks to our prudent safety and hygiene concepts, we managed to largely avoid the closure of our company restaurants while at the same time fully complying with official directives. In Germany, routine health and precautionary examinations of the workforce resumed in May 2020 after an initial interruption following the creation of a hygiene concept.

In occupational health and safety, almost all measures that had been planned for the year were severely impacted by the Corona virus pandemic. In the summer months, however, we were able to arrange for the training bus of the employers' liability insurance association to visit Waldenburg as planned. Under extensive hygiene requirements, managers, safety officers, work preparation staff and forklift drivers received instruction on safety issues in small groups over a period of several days. Due to the positive response, the bus is scheduled to stop again in the current year. The planned road safety day for motorcyclists and cyclists at the Waldenburg site in the reporting year had to be cancelled due to the Corona virus pandemic and was postponed until 2021. The pandemic did, however, have a positive effect on the willingness to participate in the flu vaccination offered annually in Waldenburg, which was requested twice as often by employees as in previous years.

In 2020, first-aid courses were also offered again for the first time in November in Waldenburg for first-year apprentices. The objective is to ensure a sufficient number of people qualified in first aid – an objective that was achieved again in the reporting year with around 170 qualified persons.

The events we traditionally hold in Waldenburg for active and former employees with larger gatherings of people, including the annual retiree party, anniversary celebrations, the sports festival in the summer months and the Christmas party, could not take place due to pandemic-related restrictions on such gatherings.

The success of our measures to increase employee well-being is also reflected in the results of the 2019 global employee survey. According to the survey, 98% of respondents felt comfortable in their workplace. The highest three scores were recorded in the categories of employer attractiveness & loyalty, commitment & wellbeing and collaboration with colleagues. At the beginning of the reporting year, the results were discussed with employees at team and Group level and potential improvements were worked out together. Despite pandemic-related organizational obstacles, it was possible in many cases to start implementing the agreed targets as early as the reporting year.

To further promote our workforce's enthusiasm and identification with the company, we relaunched the employee magazine *STAHL Report* two years ago. The magazine had been published semi-annually until 2015. Two issues were again published in the reporting year. The main topics in the first half of the year were the growth strategy presented for 2019, and in the second half the impact of the Corona virus pandemic on the day-to-day lives and work of our employees as well as its impact on our markets.

In order to enhance its attractiveness as an employer, our subsidiary in Dubai prepares an annual qualification matrix for each employee and uses it to define training measures which are then continuously implemented and reviewed on a monthly basis. The agreed targets and associated personal development plans and performance appraisals open up attractive career options for employees.

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 wellbeing of staff working there. Other improvements included measures to eliminate drafts in the workplace and the purchase of transport stands for storing and transporting large switch cabinet doors.

We regularly support our employees in Korea by offering memberships for leisure clubs – thus helping to improve the working atmosphere by promoting leisure activities together. Due to the restrictions imposed by the Corona virus pandemic, it was necessary to suspend these activi-

ties in the reporting year. It was still possible to hold some smaller company events, including a team-building workshop and birthday celebrations that are highly appreciated in Korea. The *Employee of the Year* election held by employees at our Korean subsidiary also has tremendous motivational value.

An Equal Treatment Committee was created at our subsidiary in South Africa in the reporting year. The committee is tasked with further increasing awareness of equal treatment. The committee has equal representation in terms of ethnic origin, gender and activity in the company. A regular component of our measures to enhance the wellbeing of our South African work-force is also a health care program that covers 50% of the private health care costs of all employees and their immediate family members. We also maintain life insurance policies for our employees that, in the event of death, cover funeral expenses as well as shortfall payments and education costs for surviving dependents.

Especially in pandemic times, when mobile working must be used wherever possible, new ways of communication and collaboration were required. At our subsidiary in the U.S., a new software tool was introduced to provide employees with straight-forward feedback for mutual recognition of good work. The feedback that is recorded expresses appreciation and is incorporated into annual employee reviews. Arrangements for time off work, subsidies for health insurance and various leisure events round out the employer attractiveness efforts undertaken at our American subsidiary.

The quantitative performance of these employee wellbeing measures is assessed annually through the staff turnover rate and sickness rate. At 1.0%, the proportion of employees in Germany leaving R. STAHL at their own request increased in the reporting period (2019: 3.3%). The sickness rate for German companies of 4.3% was in line with the previous year (2019: 4.4%) and slightly above the average for Germany (4.3%). The number of work accidents was below the industry average in the reporting year.

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.



Environmental matters

Resources

The responsible use of resources is a key aspect of our efforts to protect and preserve the environment. Our objective 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, which we improved to 88.8% in the reporting year (2019: 86.6%) and thus moved one step closer to our target of > 90%.

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.

Due to reduced production activity in the reporting year, the volume of waste at our largest production site in Waldenburg decreased by around 2% compared with the previous year. By contrast, the recycling rate – the amount of waste reused to create value – increased by 1%. The recycling rate, which shows the proportion of waste sent for external recycling, also increased slightly. These positive developments on the volume side were offset by significantly higher disposal prices, outweighing the benefits of declining waste volumes.

Our programs for avoiding errors in production, discussed in more detail under [Product responsibility](#) (Section 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 for this can be found under [Sustainable innovations](#).

Waste management is also part of the sustainability efforts at our Cologne site. The site's water decalcification plant also helps protect the pipelines and thus the longevity of the supply infrastructure.

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 sup-

plier 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.

With regard to the sustainable use of resources, we increasingly focus on local value creation and procurement. One example is our subsidiary in the United Arab Emirates, which regularly consults with its suppliers from the Middle East on increasing the proportion of local purchases.

At our plant in India, systematic training of our employees in explosion protection requirements in accordance with IECEx as well as in quality management enabled us to further improve the First Time Right rate (a key performance indicator that shows freedom from defects) and establish it at the high level of around 95%.

The fundamental risks associated with the efficient use of resources relate to the developments in the waste management market. Political and regulatory requirements may also 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.

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 improve our energy efficiency so that we can reduce greenhouse gas emissions or compensate for them in a climate-neutral manner. Our facilities in Waldenburg, Weimar and Cologne are certified in accordance with DIN EN 16247 and the measures this involved have enabled us to reduce CO₂ 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 27.2% of our annual electricity needs at this site in the reporting period (2019: 26.0%).

At our Indian site in Chennai, 10% of annual electricity needs were generated by our own photovoltaic systems in the reporting period. This reduced annual CO₂ emissions in Chennai by about 100 tons. The photovoltaic system on the administration building in Waldenburg

produced around 25,000 kWh of electricity last year and this energy was available for the company's own use.

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 CO₂ emissions in relation to energy usage (t/kWh). In order to identify focal points for consumption and 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.

We began replacing conventional lighting in the main building in Waldenburg with LED luminaires in 2019, thus reducing these energy costs by 75%. The gradual luminaire replacement is scheduled for completion in 2023.

In Weimar, the ventilation system and associated heating system for the production halls were replaced as scheduled in the reporting year. Subsidies from the EU and the state of Thuringia for the expansion of energy efficiency and the use of renewable energies in the company were obtained for the new ventilation technology in the production plant, contributing to a rapid amortization and to the economic efficiency of the measure. Two ventilation systems were installed with a total investment volume of € 370 thousand. The improved efficiency of the new fans and motors reduces the installed connected load by 45%. The new plant achieves an estimated annual savings of 114,759 kWh or more than 90 tons of CO₂.

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 dust and noise in the area 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 help of the Environmental Management Program (EMP) that was introduced in Chennai, together with 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, it was possible to reduce annual energy costs by a total of € 14,000.

As planned, we created and filled the position of Environmental Manager at the Waldenburg site in the reporting year as part of the establishment of an environmental management system. The first step in this process – certification of the site in accordance with DIN ISO 14001 – is planned for 2022. All other production sites will follow. The Indian site in Chennai is already certified in accordance with DIN EN 1401. In addition to our own commitment to the responsible use of energy and the reduction of emissions, we are also increasingly receiving inquiries from customers on the topic of environmental management.

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. We also generate a portion of the electricity needed at our production sites through our own photovoltaic systems, which increase our independence from purchased energy sources.

Product responsibility

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

To ensure the harmlessness and customer safety of our products, we obtain declarations from our suppliers stating that no conflict minerals 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 minerals) 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 in accordance with the CFSI standard (Conflict Free Sourcing Initiative, www.responsiblemineralsinitiative.org) using a standardized form (CMRT, Conflict Minerals Reporting Template) with those suppliers whose products contain conflict minerals. 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. There were no requests for information in the



reporting year. The CMRT report is also provided to customers upon request. In the area of conflict minerals, we are committed to the strict standards imposed by our industry association ZVEI, and we confirm our compliance with these standards at all times by means of a declaration made publicly available on our website. We ensure meaningful reports by checking, monitoring and requesting information from our suppliers. We also conduct regular audits of our top 100 or so suppliers with the aim of auditing at least 20% of them each year. Of the 20 supplier audits planned for the reporting year, 19 were carried out (2019: 19 planned, 27 implemented).

With regard to the transparency and labeling 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 labeling requirements in accordance with the relevant legislation. In 2019, we once again fully met all requirements. Our products all have multilingual operating instructions (German, English and other languages) that can be viewed online at any time. These include all the 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 2019, it was thus possible to conduct a problem-free product recall (luminaires of the 6036 and 6149 series) which was, for the most part, concluded in the reporting year. We are currently working on the further optimization of our labeling system, a step that will generate additional benefits in terms of the 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-threatening substances wherever possible. Whenever it is technically feasible, we replace raw materials and components containing substances requiring declaration with those which contain harmless materials. When using substances with manufacturing or usage restrictions, our relevant declarations are added to our products.

In order to monitor prohibited or restricted materials, we store substance-specific information in our central data system and also use this system to certify the compliance of our products. The data is entered in accordance with DIN EN 62474 (Material Declaration for Products of the Electrotechnical Industry – IEC 62474 Database on Material Declaration – Information of the “European Chemical Agency” (ECHA) – Supplier Data from Annual Declaration of Ingredients in accordance with IEC 62474). We forward 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.

We apply the guidelines of the Indian Environmental Management System (EMS) to every new material to be used at our plant in India, as is also the case in Waldenburg. Quality indicators are recorded and evaluated and the regulations according 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 groups meet twice a year, discuss with experts and company representatives the implementation of current 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 respective 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. It has not yet been possible to establish and fill the position of a materials compliance officer responsible for this issue, something that was planned for the reporting year.

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 new products that conserve resources. Details on these products are provided in the following topic area [Economic benefits](#) 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 a complaint management sys-

tem in which all incoming customer complaints are evaluated according to originators and causes. In the reporting year, we adjusted the assignment of defect categories to product-related complaints at the Waldenburg and Weimar sites and, for the first time, also included complaints from the administrative areas in the complaint rate. Based on this new system, the complaint rate for 2020 was 2.38%. Of that total, 1.61% was of an administrative nature. Although the system changeover has eliminated comparability with prior-year figures, the increased transparency gives us the opportunity to further improve our processes. In the future, the error recording currently still carried out by our employees will be replaced with an online tool that will allow customer complaints to be reported directly to the reporting system via a web portal.

In our Group-wide quality management system, we work with standardized indicators that are identical for all sites. These indicators are compiled and collated on a monthly basis in balanced scorecards (BSC). Criteria include customer satisfaction as well as product and supplier quality. The *Costs of poor quality* indicator is used to record quality costs in production. These are made up of expenses for rejects, rework, warranty and goodwill and should be continuously reduced. In the event of target/actual deviations, adjustments are made at short notice and in a targeted manner.

To prevent and detect defects, our Norwegian subsidiary implemented a new value stream design in the reporting year that decreases the incidence of defects in the finished product through early checks of critical production parameters in accordance with a Six Sigma approach. This system also helps to quickly rectify defects that occur despite efforts to avoid them.

We regard the regular recording of customer satisfaction with our products and services as a further important element of an efficient feedback culture. The customer satisfaction analysis planned for 2020 could not be carried out because external partners involved were unavailable due to the Corona virus pandemic. The survey will be carried out in the current year, with results expected in 2022.

In the reporting year, our qualified experts once again provided up-to-date, practice-oriented knowledge on all aspects of explosion protection to our customers and other interested parties and expanded this knowledge with specific exercises and workshops. In the course of complying with contact and assembly restrictions, some of these efforts were conducted virtually. The courses held

online and 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 specifically 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. R. STAHL also conducts a series of seminars as part of the IECEx certification of qualified persons for testing in areas where the threat of explosion exists. The annual *Explosion Protection Day* roadshow – a fixed part of the calendar that takes place in Germany – where R. STAHL informs interested parties about technological innovations and new developments in the world of standards, could not take place in 2020. This also resulted in a significant drop in the total number of participants in externally offered training courses and workshops in the reporting year. The current seminar program is available at www.r-stahl.com under the heading [Home/Services and Seminars/Seminars](#).

Economic benefits

Corporate success and jobs

We have set ourselves the goal of achieving sustainable and profitable growth and thus steadily increasing our enterprise value. To this end, we continue to develop our existing product and service portfolio in line with the needs of our customers with the aid of innovations, though we also consider inorganic growth. In addition, we are expanding our presence in growth markets. Another important medium-term goal is to establish market-leading cost structures. Our strategic focus is on a strong technology base, efficiency in structures and processes and growth that is at least level with the market.

We have been demonstrating technological expertise in the fields of mechanical and electrical engineering for more than 140 years. Over the course of that time, we have managed to successfully tap into a wide variety of markets. Today, our strong technology position remains the foundation of our business success. In combination with efficient operational structures and processes, this



creates lasting competitive advantages that lay the foundations for disproportionately strong participation in growing markets. In the long-term interests of our customers and shareholders, but also in the interests of all other stakeholders to whom R. STAHL is socially committed.

Sustainable economic activity requires efficient structures and processes that meet current and future customer and market requirements. In 2018, we started to fundamentally realign R. STAHL's operating model to these requirements. Under the *R. STAHL 2020* banner, we launched an efficiency program aimed at repositioning the sustainable streamlining of structures, the reduction of complexity and the introduction of standardized processes along the entire value chain and administrative areas. Five of the six initially defined measures were completed by the end of the reporting year:

- The R. STAHL Group's previously decentralized organizational structure was transformed into a central Group matrix organization with global functional divisional responsibilities.
- We aligned the product portfolio so that it more closely meets the needs of our customers and at the same time reduced the number of unnecessary variations. Around 10,000 product variations were eliminated without a loss of sales.
- Lean methods were introduced and operationalized in all manufacturing areas.
- We implemented standard processes and introduced uniform performance indicators in our global sales processes – starting with the submission of a quotation through to completion of the order.
- We centralized and further professionalized management of major projects throughout the world.

In 2018, we set a timeframe until 2023 for standardizing the IT infrastructure in the core areas of ERP, engineering as well as product configuration – the areas that are essential for R. STAHL. Progress at the end of the reporting year was in line with the schedule. Only the SAP launch at the U.S. production site in Houston, which was originally scheduled for the end of 2020, had to be postponed until the first half of 2021 due to the COVID-19 pandemic.

With the implemented measures from the efficiency program *R. STAHL 2020*, we have addressed and established the key structural prerequisites for lean and uniform processes. The focus is now on sales growth that is at least level with the market. For this purpose, our strategy program *EXcellence 2023* aims to achieve further efficiency

increases in all business-relevant processes and to sustainably strengthen R. STAHL's competitive position, which at the same time also provide our customers with additional added value: through globally standardized processes, higher service quality, shorter delivery times and lower plant operating costs. At the same time, we aim to expand our market share through targeted strategic market development and push technological advancements in explosion protection through innovative new products. We pay particular attention to areas of application with above-average growth prospects in the medium to long term. The focus of *EXcellence 2023* is thus on:

- the establishment of a uniform Group-wide system of key performance indicators for the data-driven management of all functional areas and corporate processes,
- demand-oriented management of the product portfolio,
- establishment of lean methods in all Group functions and creation of a corporate culture of continuous learning,
- further development of sales processes to a level of excellence,
- the complete harmonization of our IT systems and processes by 2023,
- market-driven innovations and portfolio renewal,
- strategic market development through qualification with new customers and active specification and standards development,
- a focus on energy sources with a favorable carbon footprint (liquefied natural gas, synthetic fuels, hydrogen), and
- the development of digital services.

Details on the innovation topics we are pursuing can be found in the management report in the section [Basic principles of the Group](#) in the [Research and development](#) chapter and under [Sustainable innovations](#) in this report.

Our continued strong market position in Europe primarily reflects the high share of sales from the chemical industry. By contrast, our business in Northern Europe, Asia and the Middle East as well as in America is predominantly driven by development in the oil and gas sector. In these regions, our overall market positions are also still below our average global market share. We therefore see significant potential here for expanding regional market share. As the market for explosion protection is regulated by certificates, it is essential for us to qualify as a supplier for our customers. As part of our strategic market development, we will therefore drive this qualification process while at the same time continuing to shape and develop the relevant technical standards.

Against the backdrop of the growing public debate regarding the consequences of global climate change, we see potential along the value chain of liquefied natural gas (LNG) – in both 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 natural gas production and liquefaction, as well as in the downstream processes of unloading and regasification. In the medium to long term, we also see strong potential in the associated fields of hydrogen technology and synthetic fuels. We already have technologies to equip the necessary large-scale industrial infrastructures.

Qualified employees are vital to achieving the strategic goals described. As part of a global HR strategy, we are establishing the foundation for a sustainable competitive positioning as an attractive employer, thus allowing us to achieve our efficiency and growth targets and to secure our technology leadership. In the reporting year, an important basis for achieving this goal was the decision to implement an integrated, IT-based management system for mapping the most significant HR processes at an international level. The implementation of this system is scheduled for the current financial year.

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 secondary school and university 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*. The findings of the first re-audit in 2016 showed that the standard of training remains above average and has actually increased since the first audit four years previous. A re-audit of the *Dualis certification* is scheduled again for 2021 in the planned five-year cycle, but it is not yet certain that it can be conducted due to the current Corona virus infection rate in the current year.

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 9.48% (2019: 8.9%). We also provide training in France and in our company in the Netherlands. The Group's trainee ratio was 5.8%. Further measures to secure our long-term personnel requirements can also be found under [Benefits for the region](#).

Our participation in education fairs and training events, at which we are regularly represented so that we can arouse interest in training among young people, also had to be significantly adjusted in the reporting year as a result of the Corona virus pandemic. As a result, we were represented at only one of five planned education fairs could take place in 2020 (2019: participation in 7 education fairs). All other events were canceled due to applicable restrictions on assembly and contact. A switch to online offerings, which followed in May, met with little response from young people.

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. In the reporting year, we were able to hold four kindergarten workshops. These were conducted by our regular and specially trained first-year trainees. In 2020, 20 young people were trained. The otherwise annual social project week with various social institutions in the Waldenburg and Weimar regions, in which all our trainees in Germany participate, could not take place in 2020 either due to the pandemic. We consider the social competence gained here to be valuable for personal development both professionally and privately.

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. There are also numerous cooperation arrangements in place with schools in the Hohenlohe district and various internships with clearly defined content and processes are offered. 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 2019.

Nevertheless, the recruitment of junior staff remains a constant challenge and requires further efforts in order to fill vacancies in the appropriate quantity and quality. We



distributed our training brochure announced in the previous year for the first time at the beginning of 2020 with a very positive response from the target group. An update of the catalog is planned for the current year.

For the start of training in fall 2020, it was possible to fill all 30 positions we offered. Newly included is the training of two IT specialists and the resumption of the training offer for two warehouse specialists. Both training programs are intended to meet the company's own demand for specific specialist personnel on a permanent basis.

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 compensation (see also [Employee wellbeing](#)). We use an annual training needs survey to determine the content of our training measures.

A total of 2 (2019: 3) of our employees were seconded from our headquarters in Waldenburg to international subsidiaries in the reporting year.

We attach great importance to the ongoing training of our managers. A further 22 managers took part in training programs in the reporting year. In addition to general management and personnel management, topics also included collective bargaining law.

Our skills management system uses relevant IT systems to register individual training needs through annual surveys and to provide the appropriate offers. The identified needs are met by inhouse seminars (including 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). The Corona virus pandemic led to reduced activity here, too. While 586 employees received training on a total of 218 days at the German sites in 2019, the number fell by almost half to 363 employees in 2020, and the scope fell even more significantly to 70 training days. The number of trainings held fell by just under a third, from 150 in 2019 to 52 in the reporting year.

At our Norwegian subsidiary, we use our own software solution to identify competences and systematically qualify employees. The tool maps required competences and compares them with those that are already in place. On this basis, individual personnel development plans can be developed.

A further focus area of our HR activities at the Waldenburg site, where we employ people from many different nations, was the help we offer refugees to find employment. In line with how we interpret social responsibility, we continue to focus on the employment of refugees in our training program. The most significant challenge is to achieve language competence in order to ensure success at school. Of the refugees we support who accepted for vocational training in recent years, seven young men have already successfully completed their training and have been taken on as employees. We are currently still training two refugees in each of the first and second apprenticeship years.

The basic idea of fair compensation – which also refers to 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 Compensation 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 year.

Our site in Chennai offers internships in cooperation with educational institutions recognized by the Indian government. This enabled us to fill all vacant production jobs in 2019 and in 2020. During the Corona virus pandemic, we also made it possible for college students there to participate in free virtual training. In addition, a project is underway with the aim of appointing a suitable deputy or potential successor for all key positions. These efforts were successful for around 80% of the relevant positions. The necessary training measures for the defined key positions are subsequently implemented using the performance management system.

At the end of the reporting period, 174 employees in production at the Waldenburg site were certified Six Sigma green belts, significantly more than our target of at least 10% of the relevant workforce. With 19 Six Sigma black belts, we also have more qualified employees than is generally the case. Our focus in the current year is now primarily on implementing the lean projects without any further build up Six Sigma qualifications.

With the realignment of our global sales organization in favor of a functionally based structure, we are creating a clear separation between the "bid" and order entry pro-

cesses and defining responsibilities more clearly than before. We already implemented these structures in Germany in 2019 under the heading of *Sales Excellence*, and our sites in Italy, Spain, France and the United Kingdom followed suit in the reporting year. Additional sites will be added in the current year.

As a leading technology company, the ability to attract 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 wellbeing](#) in this report. Further information on how these risks were handled in the reporting year is provided in the management report 2020 in the section on the [Group's risk situation](#) under the heading [Personnel risks](#).

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 2020, our research and development expenses amounted to € 19.9 million or 8.1% percent of sales.

In addition, workplace-oriented continual improvement processes (CIP) and our company suggestion scheme (see also [Incentivizing new ways to think](#)) 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 explosion protected 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. 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 explo-

sion-protected LED luminaires offers customers numerous solutions to significantly reduce their environmental 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. We continuously expand the share of LED technology in the luminaires we sell; since 2019, more than half of these have been based on LED technology. Our development processes follow 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 metal enclosures. It also 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 in 2019 by a leading supplier of offshore cranes and they demonstrated their satisfaction with a follow-up order in the reporting year. In the future, EXpressure® will also demonstrate its advantages in loading arms used in ports for loading and unloading tankers with flammable materials.

In the reporting year, our Norwegian subsidiary developed an intelligent, energy-optimized distribution and control system for antiicing and deicing applications. This energy control system is used for land-based facilities as well as ships that use large thermal control systems in order to protect their applications from extreme cold and freezing.

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 groups in which we actively hold patents. In 2020, our new product ratio was about one-fifth (19.3%), and a total of 368 patents were held in 71 patent families (2019: 335). In 2020, we filed 15 new patent applications (2019: 16) and received patent grants for 23 (2019: 9). Further information on our activities and our successes in research and development is provided in the management report 2020 in the section [Basic principles of the Group](#) under the heading [Research and development](#).

The considerable innovative strength of our organization and our employees makes them attractive for our competitors, with the corresponding risk of losing development employees and their expertise to these competitors. We counter this risk by taking measures to maintain and enhance our attractiveness as an employer (see also [Employee wellbeing](#) and [Benefits for the region](#)).

Sustainable and fair finances

Financial decisions

In order to make responsible financial decisions, it is essential to have meaningful key performance indicators (KPIs) as well as 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. There is also 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 management report 2020 in the section [Basic principles of the Group](#) under the heading [Management system](#).

Stable and sustainable financial management also requires a regular dialog 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 2019 with a term of three years and an extension option for two further years and a total initial volume of € 70 million with an extension 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 through 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 financing, 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. The key parameters used to determine dividend payments are earnings after taxes, equity ratio and expected future market developments. Furthermore, we regard our proactive dialog 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. We thus 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 center in Waldenburg and established cutting-edge production and administrative capabilities in the field of automation at our facility in Cologne. This created a sound 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 and amortization.

Finally, sustainable financial activities also require targeted measures for dealing with financial risks. In order to minimize financial risks, we have implemented a number of processes in our Group-wide risk management system. Details can be found in the management report in the section [Risk and opportunity report](#).

Anti-Corruption

Our basic understanding of entrepreneurial activity is based on fair competition – competition that we seek to win through 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 is achieved, we implemented a Group-wide Code of Conduct in 2009 which all employees are informed about via e-learning systems. A repeat of our online training on the Code of Conduct across all Group companies that is scheduled every three years will be conducted in the current financial year. Briefings on the topics of anti-corruption and competition law were held in the reporting year.

We also support compliance with our Code of Conduct by means of our authority matrix and dual control principle. Although we generally consider the risk of involvement in money laundering to be relatively 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 2019, redefined responsibilities and updated authorization limits. At the same time, we introduced a central payment system in 2019 that will be used for Group-wide payment transactions. As well as offering a streamlined payment process, this system also offers significantly greater protection against unauthorized payments (fraud). We prioritize event-driven checks of possible non-compliant behavior with regard to regulations or laws. 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, 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 behavior may be significant and can result, for example, in damage claims, fines, penalties, reputational damage or exclusion from tendering processes for public-sector contracts. Despite limited auditing capacities, R. STAHL has begun regularly performing checks along the supply chain with various subcontractors.

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

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 create regional added value at these sites in particular.

R. STAHL's business roots are in the German state of Baden-Württemberg. Our largest production facility has been in the Hohenlohe-Franconia region for decades and in Waldenburg since 2001. In 2019, 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 (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 staff and apprentices teach and support children in the *MINTec* workshop. Our range of activities is rounded off by Inventor Days. The *Innovation-region Hohenlohe e. V.* also succeeded in procuring generous grants from the foundation *Landesstiftung Baden-Württemberg* to support its *MINTec* activities. A further focus of the association is to strengthen networking among regional companies, local technical colleges and the Reinhold-Würth University. Support is provided 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 accordance with the requirements of member companies. Managers are also involved in these educational efforts, 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 comprehensive 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 apprentices supporting various social institutions with a total of around 1,600 working hours. 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. Also included in our commitment to the Hohenlohe region is the support we provide for local sporting events.

In the reporting year under review, we supported the Albert Schweizer Children's Village in Waldenburg in the Hohenlohe region at R. STAHL's headquarters as well as a school and a cultural event with donations in cash or in kind. The Technical University of Dresden also receives grants from us.

With a budget of 2% of its annual net profit, our subsidiary in India supported local projects in the Chennai region

once again in the reporting year, including the Roshini Homes children's home, which provides shelter and education for orphans.

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

Incentivizing new ways to think

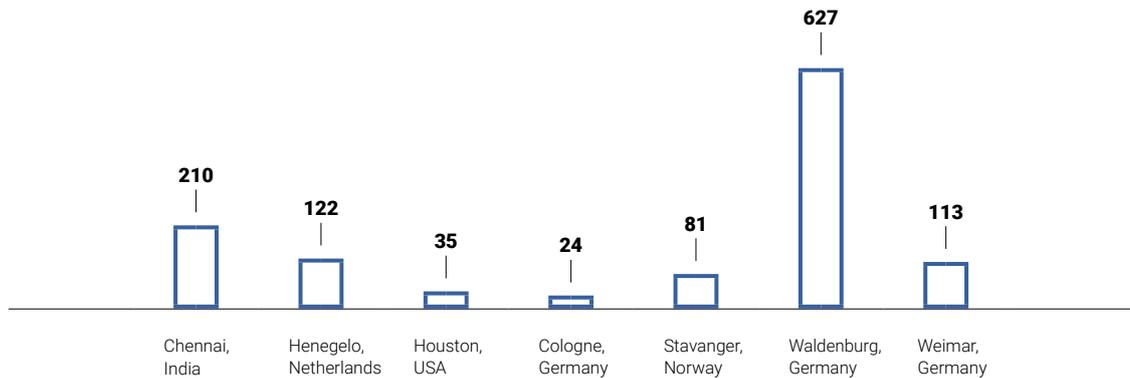
The continuous improvement of products and processes requires the systematic management of ideas and innovation. The objective is to integrate and apply the knowledge and creativity of all employees so that overall competitiveness can be strengthened.

The efficiency program we launched in 2018 involves far-reaching changes in the Group's organization and processes. In addition to streamlining structures and procedures, the focus is on creating a permanent culture of change characterized by continuous learning. To this end, we also train production employees in lean management methods (Six Sigma). We have achieved a Six Sigma training rate of almost 100% in our global production companies. There was also progress with a number of lean projects in our manufacturing areas in the reporting year, including a GPS-based driverless system in Waldenburg for transporting raw materials from the warehouse to the production areas. In addition, we have started to implement lean management in administrative areas as well.

To press ahead with 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 standards-based 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 year, despite the operational restrictions imposed by the Corona virus pandemic, recognizable savings of around € 340,000 (2019: >€ 600,000) were achieved, for which non-cash and cash awards totaling around € 30,000 (2019: € 38,000) were distributed.

An key goal of our sustainability efforts is to successively expand the scope of our sustainability reporting to all subsidiaries of the R. STAHL Group. In the reporting year, we also made further progress in this area by recording im-

NUMBER OF KAIZEN MEASURES AT R. STAHL'S GLOBAL PRODUCTION SITES IN THE REPORTING YEAR



provement measures at our production sites worldwide. Data from the previous year, which was limited to sites in Germany and India, was available to us for all of our seven production sites for the first time in the reporting year.

Ten major lean projects were implemented in Germany in the reporting year, while three Six Sigma Black Belt and two Green Belt projects were implemented at the subsidiary in India. With a total of 627 (2019: 990), it was not quite possible to achieve the 840 kaizens and improvement proposals planned for the Waldenburg site for the year under review.

Overall, the improvement measures at our global production sites resulted in sustainable annual cost reductions in the low single-digit million range. 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. A further expansion of lean measures is planned for the current year.

Our ideas management measures are supplemented by further incentives to think in new ways, including *STAHL goes crazy*, a creative project series initiated by our apprentices to promote lateral thinking. We also regularly organize forums with speakers to discuss interdisciplinary topics from various areas with our executives, such as health, social policy or personal development. The goal is to raise awareness among employees for accountability and sustainability in the way they think and act – something which is manifested in our daily work and corporate culture. Due to the Corona virus pandemic, these events could not take place in the reporting year.

