

# SUSTAINABILITY

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Further information on sustainability can be found at <https://corporate.safholland.com/en/sustainability> and [www.we-think-ahead.de/en](http://www.we-think-ahead.de/en)



## SUSTAINABILITY AT THE SAF-HOLLAND GROUP

At the SAF-HOLLAND Group, sustainable business practices and the assumption of social responsibility are firmly anchored in the Company's philosophy and strategy. SAF-HOLLAND sees a link between sustainable action and the Group's economic success. This is the reason that the SAF-HOLLAND Group firmly believes in identifying change, risks and opportunities at an early stage and managing them effectively. Sustainable action also strengthens future innovation and viability. The SAF-HOLLAND Group strives to be the most valued supplier of best-in-class components, systems and services that ensure the success of its worldwide fleet customers. The SAF-HOLLAND Group pursues this goal in accordance with its seven corporate values: innovation, cost awareness, reliability, respect, teamwork, communication and honesty.

SAF-HOLLAND not only promotes internal or company-related sustainability but also helps customers integrate sustainability into their own corporate strategies. A special example of this is SAF-HOLLAND's emphasis on weight reduction when designing new products. Lightweight and higher quality products help customers meet more stringent safety requirements based on legislative changes or individual requests from the customer. SAF-HOLLAND provides customers innovative solutions, helping them on their way to a more sustainable future.

### CORPORATE SOCIAL RESPONSIBILITY COUNCIL PROMOTES SUSTAINABILITY ISSUES

The SAF-HOLLAND Group has established a Corporate Social Responsibility Council (CSR Council) to better manage the Group's sustainability activities. The members of the CSR Council include the Chief Executive Officer and the Chief Financial Officer, as well as representatives from the Human Resources, Health, Safety, Environment and Quality Management, Engineering, Logistics (shipping), Marketing, Facility Management, Aftermarket and Sourcing departments. The CSR Council meets regularly to address proposals and initiatives on selected topics such as improving energy efficiency, reducing waste, training staff and increasing the Group's social engagement. The CSR Council is also responsible for defining the strategic guidelines for sustainability management throughout the SAF-Holland Group.

### CSR REPORTING WORKING GROUP ENSURES COMPREHENSIVE SUSTAINABILITY REPORTING

SAF-HOLLAND established the CSR Reporting Working Group in the 2017 reporting year, underscoring the importance of sustainability at the SAF-HOLLAND Group. Establishing this working group provided the foundation for comprehensive sustainability reporting. Members of this working group include the Chief Financial Officer and representatives from the Human Resources, Health, Safety, Environment and Quality Management, Sourcing, Legal and Compliance, Group Consolidation & Controlling and Investor Relations/Corporate Communications departments.

The CSR Reporting Working Group shares its results with the CSR Council, discusses the fulfillment of external reporting obligations and defines the strategic guidelines for sustainability reporting, which includes linking financial and non-financial information.

### PUBLICATION OF THE NON-FINANCIAL STATEMENT

Non-financial reporting is a high priority at the SAF-HOLLAND Group. As part of Corporate Social Responsibility (CSR) and CSR reporting, the SAF-HOLLAND Group also addresses its non-financial responsibilities. The SAF-HOLLAND Group's non-financial statement will be submitted with the publication of its first sustainability report.

The SAF-Holland Group's first sustainability report will be published on April 30, 2018. This report will give a detailed description of the SAF-HOLLAND Group's responsibilities and the potential effects of its activities on society as a whole. Key topics will include the Group's employees, social and environmental concerns, respect for human rights and the fight against corruption. The SAF-HOLLAND Group reports on its social, environmental and socially responsible activities and key indicators in the 2017 financial year, as well as on its sustainability goals and strategies for the years ahead.

The CSR Reporting Working Group conducted a comprehensive materiality analysis during the 2017 financial year identifying the fundamental sustainability issues for the SAF-HOLLAND Group. Particular emphasis was placed on the areas of environment, employees, products, legal and compliance and human rights. The 13 most important individual topics, from an initial total of more than 100, were determined in the course of several workshops. These 13 topics included innovative and sustainable products, safe

products, customer satisfaction and customer focus, employer attractiveness and employer branding, compliance and corporate governance, human rights, employee development and training, health and occupational safety, privacy and IT security, sustainable supplier management, energy and emissions, waste and wastewater, as well as social commitment.

The topic discovery process also involved external members from various stakeholder groups. Their assessments – which were derived from a large-scale, international stakeholder survey that included all stakeholder groups, as well as representatives from the capital market, employees, customers, suppliers, academia, media, politics and society – were considered in defining the most important topics.

**Materiality matrix for SAF-HOLLAND S.A.**



The results of the stakeholder survey and an internal company assessment are presented in the materiality matrix above. Although each of these topics is considered very important, their importance is further categorized into more specific levels of importance.

The creation of the materiality matrix represents only the first step in comprehensive sustainability reporting. An extensive system of key indicators was also developed in order to track future progress. The key indicators reflect the outcome of the SAF-HOLLAND Group's sustainability activities in the 2017 reporting year. These indicators are able to demonstrate the Group's development over a period of several years.

### RECOGNIZED FOR SUSTAINABILITY

SAF-HOLLAND received the Gold Award for the SAF Adaptive Air Damping System at the 2017 Solutions Innovation Awards ceremony on November 24, 2017 in Lyon, France.

SAF-HOLLAND also received the 2018 European Transport Award for Sustainability in the Entrepreneurial Overall Concept category for its sustainability program “Think Ahead” on November 30, 2017 in Munich. The journal “Transport” granted the award for the fourth time to honor outstanding sustainable achievements within the commercial vehicle industry. The winners were selected by a renowned independent jury of experts from business, academia, media and organizations.

The “Think Ahead” initiative, which was launched in 2015, is now an integral part of the Group-wide sustainability concept and comprises the three pillars – “People,” “Energy” and “Environment.” SAF-HOLLAND, in cooperation with the well-known environmental organization Plant for the Planet, trains children and young people in workshops to become climate ambassadors and carry out tree planting campaigns. Other Think Ahead measures promote employee health and support local community projects at the Group’s international locations.

Further information about the different initiatives can be found at <http://we-think-ahead.de/>

## EMPLOYEES

### LONG LENGTH OF SERVICE OF EMPLOYEES REFLECTS EMPLOYEE IDENTIFICATION WITH THE COMPANY

Employees are the SAF-HOLLAND Group’s most valuable asset, which makes them the focus of the Group’s corporate culture. The Group strives to provide employees with an attractive work environment. Employees identify strongly with the Company, as can be seen by the long average length of service of 6.5 years at the Group level. The average length of service in Germany is even closer to 14 years. Consequently, 87 of the Group’s employees celebrated milestone work anniversaries in the 2017 financial year: 15 celebrated 20-year anniversaries, 16 each celebrated 25th and 40th anniversaries, 28 celebrated 30th anniversaries, 10 celebrated 35th anniversaries, and two employees even celebrated 45-year anniversaries.

Demand in the United States for SAF-HOLLAND’s products increased in the 2017 financial year. Managing the high production volumes at a time when the Company was consolidating its US plant operations temporarily required a significantly higher number of employees than planned. This also resulted in a higher rate of employee turnover during the challenging search for suitable employees. Once the US

plant consolidation is completed, the SAF-HOLLAND Group expects the North American fluctuation rate to normalize and approach the Group’s long-term average of under 10% (previous year: 8.6%).

### EMPLOYEE DEVELOPMENT AT SAF-HOLLAND

As an engineering group, SAF-HOLLAND is dependent on its employees’ commitment and expertise. This is why the HR department emphasizes employee development through targeted continuing education programs. These programs traditionally focus on technical vocations, particularly engineering and mechanical engineering.

SAF-HOLLAND offers employees a wide range of qualification and continuing education opportunities, which supports employees’ ongoing further development. Next to a variety of vocational training courses, SAF-HOLLAND also offers employees the opportunity to take part in dual study programs.

The Company holds regular training programs specifically for executives in an effort to expand their knowledge of leadership and motivation.

In addition, SAF-HOLLAND guarantees the highest standards of occupational safety.

SAF-HOLLAND deals in-depth with the topic of diversity and searches particularly for solutions that increase the consideration of women when filling executive positions. SAF-HOLLAND also works to reduce the pay gap between men and women. Further details on this topic are presented in the Corporate Governance section under the heading entitled “Diversity at SAF-HOLLAND.”

**SAF-HOLLAND key personnel figures in 2017**

as of December 31, 2017

	2017	2016
<b>Key figures for locations (at Group level)</b>		
Average number of employees (excluding temporary workers)	3,320	3,081
Staff turnover rate	26.5%	8.6%
Share of part-time workers (as of reporting date)	1.4%	2.4%
Employees with severe disabilities (as of reporting date)	80	63
Employees in management positions (as of reporting date)	108	106
– thereof women	5	5
Occupational fatalities	0	0
Average age of employees (in years, as of reporting date)	38.2	40.3
Average length of service (in years, as of reporting date)	6.5	8.1
<b>Key indicators for locations in Germany</b>		
Average no. of employees (excluding temporary workers)	1,073	1,035
Average sick leave per employee per year	14.1	14.5
Average length of service (as of reporting date)	13.6	14.0
Employees in maternity and parental leave	9	7
Percentage of trainees (as of reporting date)	4.7%	4.5%
Interns and undergraduate students (as of reporting date)	10	8
Total number of submitted improvement proposals (year)	276	76
Number of improvement proposals already successfully implemented (year)	47	7
Number of rejected improvement proposals (year)	160	34

**HIGHER CAPACITY UTILIZATION ALLOWS FOR WORKFORCE EXPANSION**

The strong competitiveness and success of SAF-HOLLAND are supported by qualified and motivated employees. This is why SAF-HOLLAND relies on a very high proportion of permanent employees. Flexible working hours ensure the required flexibility.

From a risk perspective and in order to be able to compensate for cyclical fluctuations in demand, SAF-HOLLAND relies in part on interim employment, part-time work, and temporary staff. In many cases, these positions could be transformed into permanent positions.

The Group was able to offer additional jobs to support its strong organic growth and ensure that it has the employee resources required for the 2020 growth strategy. The SAF-HOLLAND Group employed 3,565 people on average including temporary workers in 2017 (previous year: 3,259).

As of December 31, 2017, SAF-HOLLAND had 3,566 employees worldwide, including temporary staff (previous year: 3,426). This represents an increase of 4.1% over the prior year.

**Regional development in number of employees**

	12/31/2017	12/31/2016
EMEA/I	1,404	1,343
Americas	1,606	1,546
APAC/China	556	537
<b>Total</b>	<b>3,566</b>	<b>3,426</b>

**ENVIRONMENT****SIGNIFICANT REDUCTION IN RELATIVE CO<sub>2</sub> EMISSIONS**

The SAF-HOLLAND Group is constantly improving its production processes in order to keep energy and material consumption as low as possible. The Group measures the progress made in reducing energy consumption based on relative CO<sub>2</sub> emissions by taking the total CO<sub>2</sub> emissions of the German plants and comparing it to the number of axles produced in Germany, which is the main product manufactured at these locations. It should be noted that the German production plants are responsible for a majority of the manufacturing volumes in the EMEA/I region. Over the past five years, relative CO<sub>2</sub> emissions have nearly halved as a result of active energy management.

In an effort to improve energy efficiency, SAF-HOLLAND makes it a priority to invest in very energy efficient production machinery and equipment. Energy consumption is monitored continuously thereby increasing employee awareness. Energy-related refurbishment of existing buildings and a focus on high energy efficiency in the new buildings of the Group, such as the new administration building in Bessenbach currently under construction, help contribute to significant energy savings.

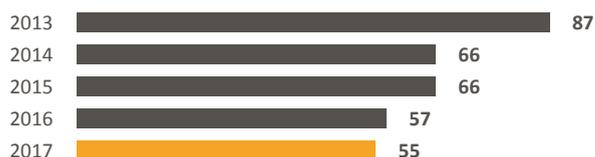
SAF-HOLLAND joined the voluntary initiative of the German Federal Government and German industry to increase energy efficiency. As a result, the company has decided to implement a rolling 2-year target system for reducing overall energy consumption. The target set in 2014 to reduce total energy consumption by 3.9% per axle system manufactured at the German production plants over a two-year period,

compared to the base year 2015, has been achieved. In the period from 2014 to 2017, the SAF-HOLLAND Group even managed to reduce its total energy consumption at its German plants by 13.9%. During this same time, CO<sub>2</sub> emissions per axle system manufactured decreased 16.1%, representing an annual improvement of nearly 5%.

The target set for the year 2018 is to reduce total energy consumption per unit produced by 5.25% over a two-year period, using 2016 as the reference year.

#### SAF-HOLLAND CO<sub>2</sub> emissions per axle

in kg; 2012 = 100 %



#### SAF-HOLLAND CO<sub>2</sub> emissions per axle

Year-over-year change in %



#### CLIMATE PROTECTION FROM WEIGHT REDUCTION

The SAF-HOLLAND Group is committed to environmental protection and takes this into account in both manufacturing and product development. By continually reducing the weight of its products and components, the SAF-HOLLAND Group contributes to the more cost-effective use of these products and components by its customers, reduces fuel consumption and thereby brings down the emission of CO<sub>2</sub> and pollutants. The SAF-HOLLAND Group focuses on providing products with long service lives and the utmost in safety.

#### SAF-HOLLAND environmental indicators for 2017

	2017	2016
<b>Emissions</b>		
Total direct and indirect CO <sub>2</sub> emissions (without the district heating of the Singen location) in t	5,740	5,660
of which CO <sub>2</sub> emissions from electricity in t	3,387	3,239
Total direct CO <sub>2</sub> emissions in t	1,983	2,040
of which direct CO <sub>2</sub> emissions (fleet, excluding private use + company's own gas stations) in t	187	209
Total indirect CO <sub>2</sub> emissions in t	372	382
<b>Energy consumption</b>		
Absolute energy consumption (electricity, gas and other energy sources) in MWh	26,058	26,339
<b>Waste</b>		
Total amount of waste in t	4,621.1	4,482.0
of which metal waste in t	3,478.3	3,190.9
of which wood waste in t	547.7	683.8
Oils and emulsions in t	61.4	62.8
Waste water in m <sup>3</sup>	18,476	16,966
<b>Water</b>		
Water consumption in m <sup>3</sup>	18,476	16,966

All information relates to the German locations Bessenbach, Frauengrund and Singen. Deviations from the previous year's figures are based on a change in the calculation method.

For better comparability, the 2016 figures were adjusted to reflect a change in the calculation method made in the 2017 financial year.