



**NON-
FINANCIAL
REPORT**
FISCAL
YEAR
2019

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1 ABOUT THIS REPORT

Stabilus S. A. is a public interest company within the meaning of Article 2, point 1) of the Directive 2013/34/EU. The Stabilus Group, i.e. Stabilus S. A. including its consolidated subsidiaries, is exceeding the average number of 500 employees. As such, Stabilus S. A. is obliged by the European directive and Luxembourg law¹ to report on non-financial information of the consolidated Stabilus Group. We have decided to provide the required disclosure regarding environmental matters, employee and social matters, respect for human rights as well as anti-corruption and bribery matters in a separate non-financial report, complementing our annual report.

This is the second non-financial report of the Stabilus Group, hereafter referred to as "Stabilus" or "Group". It will be updated on an annual basis following the completion of each Stabilus' fiscal year (October 1 – September 30) and the release of the corresponding annual report.

No specific framework has been applied for the preparation of this non-financial report.

Disclosure is required for material non-financial matters that are relevant for an understanding of the reporting entities' development, performance, asset, financial and earnings position as well as the impact of its business activities on non-financial matters.

To meet these requirements, Stabilus has performed a structured internal analysis of potential non-financial matters, involving relevant business departments, and considering Stabilus' impacts on these matters as well as their business relevance.

The following non-financial matters have been identified to be material and are described in the following chapters: Energy, water, occupational safety, employee development, environmental aspects within our supply chain, human rights including conflict minerals issues in our supply chain, anti-corruption and bribery. We have not identified any material topics on social matters.

No risks related to our business activities, products, services or business relationships have been identified that are likely to have serious adverse effects on non-financial matters.

The information in this report generally refers to the entire Stabilus Group, without the companies or shares thereof acquired since 2018 (General Aerospace, Clevers and Piston).

Information in the Environment and Employees chapters refer only to the Group's production sites, since these sites are most relevant for Stabilus in terms of environmental impacts and occupational safety.

¹⁾ The Luxembourg Law on Disclosure of Non-financial Information and Information on Diversity of July 23, 2016, implementing EU Directive 2014/95/EU

2 BUSINESS MODEL

Stabilus S. A. is a public limited liability company (Société Anonyme) incorporated in Luxembourg and governed by Luxembourg law. Stabilus S. A. is the parent company of the Stabilus Group. With 17 production sites in nine countries and even more sales offices/representations worldwide, it covers the regional markets of Europe, NAFTA and Asia/Pacific and Rest of World. Stabilus Group now has more than 6,700 (PY: 6,600 employees) employees worldwide. Our largest operations being our operational headquarters and plant in Koblenz, Germany and our plants in Ramos Arizpe, Mexico and Brasov, Romania and Wujin, China.

As a leading manufacturer of gas springs, dampers as well as electromechanical tailgate opening systems (motion control solutions), its products are used in a wide range of applications in the automotive and the industrial sector, including furniture applications. By entering new markets, Stabilus was able to generate revenues of €951.3 million in fiscal year 2019 (PY: €962.6 million).

Like most manufacturing companies, Stabilus sources production and non-production materials. We mainly purchase components or semi-manufactured products. Typical raw materials purchased are those contained in semi-manufactured products/components, e.g. steel, copper and rubber.

Geographically, the most important areas we source from are Western Europe and North America.

3 ENVIRONMENT, HEALTH & SAFETY

As a manufacturing company, Stabilus is aware of its impact on the environment. The most important of these are energy and water consumption.

Ensuring employee health and safety by preventing accidents and adverse health effects is a central responsibility of Stabilus as an employer and at the heart of our corporate culture. Besides the intrinsic focus we put on Environment, Health and Safety (EHS) matters, we also respond to increasing requirements from our stakeholders, e.g. automotive customers and investors.

EHS MANAGEMENT AND POLICIES:

Setting of environmental, health and safety targets as well as developing strategies and steering mechanisms are the responsibility of the Chief Operating Officer of the Stabilus Group. The local management of each Stabilus plant and designated Environmental Managers at selected sites implement these goals.

Global Human Resources (HR) and local HR Management are responsible for successful implementation of measures concerning preventive employee health.

In fiscal year 2019 the Stabilus Global Operations team rolled out the Global EHS Initiative, which aims to exceed regional regulations by implementing best practices. Its three mandates are: reducing pollution as part of the environmental mandate, protecting employee health, safety, and welfare as part of its health and safety mandate, and promoting continuous reduction of energy requirements during operations as part of its energy efficiency mandate. Global and regional EHS Councils were established in 2018 to roll out the global Stabilus Environment, Health and Safety (EHS) Policy. It defines the most relevant topics and defines goals and responsibilities. All Stabilus locations worldwide shall adhere to this policy. During the fiscal year 2019 regular calls were implemented to constantly update the readings, measuring consumption and waste. In accordance definitions were optimized and approved to support the global policy.

Our Global Process Technology unit, headed by the Chief Operating Officer, monitors efficiency measures in production processes, including energy and material efficiency improvements. Best practices are rolled out to additional plants. Improvements with respect to internal monitoring standards were implemented in 2019.

To further optimize the environmental management systems, the ISO 14 001 (EMS) certification was obtained for several plants. The operational headquarters in Koblenz was the first site to receive certification in 1997. Our Koblenz plant is also EMAS certified and publishes a detailed Environmental Declaration. Twelve of our plants are currently ISO 14 001 certified. With the increasing importance of energy efficiency measures, Stabilus Koblenz decided to obtain an ISO 50 001 certification, the international standard for implementing an energy management system. Also, the recently acquired Hahn Gasfedern plant is certified according to ISO 50 001. As part of these initiatives we will also continuously improve our annual guidelines and processes related to EHS data collection.

Energy consumption has been identified as the most important environmental impact driver for Stabilus, as it is associated with greenhouse gas emissions and fossil fuel depletion. Stabilus' main sources of energy are electricity and, to lesser extent, natural gas. Within Stabilus' direct operations, production processes account for the vast majority of energy consumption. In comparison, logistics as well as other non-production processes play a minor role.

In 2018, we have established an initial energy efficiency goal that applies to each plant individually. The target is to reduce energy consumption per production unit by 0.5% per year, across all key sustainability metrics.

Specifically five sites did not meet water sustainability goal, and eight did not meet energy sustainability goal per the set goals.

Measures aiming at reducing energy consumption are implemented in various contexts from production and auxiliary processes through energy and building infrastructure to offices and datacenters. Examples include:

- Saving over 1,200 MWh of natural gas per year at our Koblenz plant, e.g. by reducing the total flow temperature of the heating system,
- Replacement of conventional lighting with high efficiency/LED lamps at various plants (including Ramos Arizpe in Mexico, Gastonia in USA, Changzhou in China), saving over 123 kWh annually with further measures on the way

Total energy consumption (incl. natural gas, electricity, district heating) in fiscal year 2019 amounted to 158.437 MWh (163.007 MWh in fiscal year 2018), leading to an energy intensity per production unit (across all products) of 0,72 kWh/part (0,72 kWh/part in fiscal year 2018).

Water is used in our production process mainly as a coolant and detergent/ solvent, e.g. for the washing of parts between manufacturing steps. The availability of sufficient and good-quality water is crucial for operations at many Stabilus sites. Therefore, we will closely monitor and assess water related risks to develop strategies to mitigate those risks, if necessary.

Stabilus aims to reduce the water consumption per production unit going forward, at site level.

Stabilus commitment in reducing the water consumption resulted for instance in the replacement of cooling towers at our Romanian plant. This measure will reduce freshwater consumption by around 5,000 m³ per year.

The total water consumption in fiscal year 2019 amounted to 353.805 m³ (402.333 m³ in fiscal year 2018), leading to a water intensity per production unit (across all products) of 1,60 l/part (1,78 l/part in fiscal year 2018).

Health and safety hazards are tied mainly to production activities. Workplaces with a comparatively higher risk profile are related to activities such as metals treatment or painting / coating processes.

With preventive measures such as risk assessments, audits and training, we aim to foster an active safety culture. It is our belief that only with motivated and trained employees we can achieve a safe working environment.

In terms of health & safety management, nine Stabilus sites are currently OHSAS 18001 certified. OHSAS (Occupational Health and Safety Assessment) is a British, but internationally applied standard for occupational health and safety management systems that was replaced by the ISO 45001 standard in March 2018. We plan to implement ISO 45001 certification gradually in selected other plants over the coming years.

The total number of accidents in fiscal year 2019 was 70 cases, leading to an accident frequency rate of 1,20 (1,30 in fiscal year 2018) accidents per 200,000 hours worked².

²) This figure is based on the number of hours worked for employees clocking. Accidents are counted if they lead to one day of absence or more.

4 EMPLOYEE MATTERS

Sustainable corporate success is amongst others depending on our employees. It is our goal to support the development of our employees, to retain employees keeping in mind the current and future challenges of the labor market and to promote innovations.

We support our employee's personal and professional development by e.g. trainings and we aim for a corporate culture that promotes innovations based e.g. on an idea management system.

Besides adherence to basic legal and ethical norms, offering positive and attractive working conditions is crucial for gaining and retaining qualified employees. Likewise, education and development of employees are a key success factor in our industry, which depends on constant innovation and operational excellence.

Our mission is defined by the leading image "One Stabilus": It aims to bring together different backgrounds within the Group, promote a common corporate culture across companies, regions and locations, and strengthen identification with Stabilus.

Our Global HR function coordinates Group-wide activities and establishes strategies regarding matters like working conditions, employment, recruiting and employee development. It also drives organizational development in the HR field, and provides central services for the Group.

The HR Managers at our plants are reporting via a matrix structure to the respective Plant Manager, as well as to Global HR. They are in charge of ensuring compliance with local laws as well as with Stabilus' global policies and standards.

Reporting of HR related KPIs is done via a centralized system. Annual HR summits foster exchange between the worldwide HR staff and contribute to the alignment of our global practices.

Besides the continuous and targeted qualification programs we offer all employees, we have set up dedicated programs:

The "Lady STAR" program, started in the reporting year in our German sites, focuses on assisting female employees in advancing and reaching their career goals. With about 100 participants in Germany in its first year, we aim to extend the program further to other countries.

In 2018, our "Rising STARS" program for high-potential employees started for the third time. It offers a structured approach for the most talented young employees around the globe who aim to become future leaders at Stabilus. Each participant is given a 2-year educational program and a mentor from the Management Board to accompany them.

5 SUSTAINABILITY IN PROCUREMENT

In today's global economy with its increased international division of labor, the supply chain plays a key role in accurately determining and improving a company's sustainability performance. Especially since we procure semi-manufactured products, Stabilus' success is deeply connected to a reliable and sustainable supply chain.

Environmental impacts such as energy and resource consumption occur throughout the supply chain and depend on the nature of goods sourced and processes used.

Our strategic procurement function is responsible for steering and coordinating procurement and supply chain management across the Group. Operational responsibility lies with the regional Heads of Procurement. Incidents related to sustainability issues within the supply chain are reported.

Operational decisions, for instance regarding awarding of individual contracts, are made by the Sourcing Committee which comprises representatives from various functions, including logistics, R&D, controlling, and others. During the supplier onboarding process environmental certifications are checked.

The key document, summarizing our expectations towards suppliers and other business partners, is the Stabilus Business Partner Code. It builds upon our own Code of Conduct and contains detailed requirements in several areas, including:

- Working conditions, e.g. to respect the right of free association and equal pay for men and women
- Human rights, e.g. eliminating child labor, forced labor, and discrimination
- Fair business practices, e.g. to observe principles of fair competition and prevent corruption, and to ensure data privacy
- Environment, e.g. to improve environmental and resource protection within our own operations and within the entire value chain
- Health and safety, e.g. to observe all applicable laws and actively promote safe working environments

Our Business Partner Code must be signed by all suppliers. Violations of the Business Partner Code, depending on the severity of the violation, can lead to sanctions including the immediate termination of the supplier relationship.

We are in the process of finalizing a sustainable sourcing policy which puts our principles for assessing and managing supply chain sustainability in writing, for our internal management.

All potential suppliers undergo a prequalification process in which a basic risk assessment regarding financial and sustainability issues is carried out. New suppliers must complete a self-assessment questionnaire that includes questions regarding their existing environmental and quality management and respective certifications. Providing a valid ISO 14 001 certification is an integral part of this evaluation. Our long-time suppliers are regularly checked for renewal of their certifications.

We perform regular onsite audits of suppliers that cover quality, environmental, health and safety topics as well as working conditions.

CONFLICT MINERALS

An area receiving special stakeholder attention is conflict minerals, i.e. metals such as tin, tungsten, tantalum and gold, that are extracted in conflicted and unstable regions around the world and tied to exploitative practices like forced labor and severe human rights violations. Several of our customers have requested that we report the source and origin of the products we procure containing these materials, due mainly to legal obligations under the Dodd-Frank Act that companies listed on the US stock exchange disclose information on the use of conflict minerals in their own supply chain.

Our goal is to avoid conflicts in the supply chain. Group responsibility for conflict minerals is bundled in R&D in close cooperation with Strategic Procurement.

Our recent activities include the use of the Conflict Minerals Reporting Template (CMRT) created by the Responsible Minerals Initiative: we require our direct suppliers, who run the risk of sourcing conflict minerals, to fill out this standardized report to trace the minerals back through the complete supply chain. Information is then provided to Stabilus customers who request it via several platforms.

Based on above mentioned procedures we did not become aware of any human rights violation or of any customer complaints in relation to violations of conflict minerals requirements in the reporting period.

WHISTLEBLOWER SYSTEM FOR SUPPLIERS

Since the financial year 2019 the Whistleblower System³ is accessible for suppliers, too. Stabilus will roll out a communication regarding the new tool in the beginning of 2020, once the latest updates are implemented.

³⁾ <https://stabilus.whistleblownetwork.net/WebPages/Public/FrontPages/Default.aspx>

6 COMPLIANCE / ANTI-CORRUPTION AND BRIBERY

It is the foundation of all our worldwide activities to conduct business only in compliance with the respective legal requirements. These obligations apply to our internal processes but also to all our relationships with external stakeholders such as customers, suppliers and public authorities.

Our management framework is underpinned by two key guidance documents: the Stabilus Code of Conduct and the Stabilus Business Partner Code of Conduct. The Stabilus Code of Conduct sets out rules that translate legal requirements and our ethical values into general conduct guidelines to help us to act lawfully and responsibly in our daily work. It applies to all business activities within the Stabilus Group, internally as well as when interacting with external parties. All relevant new employees must read and sign the Code of Conduct.

As a globally operating company Stabilus has identified existing compliance risks, e.g. corruption risks that may lead to legal fines, uninformed business decisions, or damage to reputation.

As a safeguard against compliance issues, Stabilus introduced Group-wide compliance management. Responsibility lies with the Stabilus Corporate Compliance Officer who reports to the management board and to the Supervisory Board.

With the goal of strengthening our worldwide compliance organization, Stabilus has rolled out a global training program with dedicated face-to-face trainings for employees. Key to the training success throughout the Stabilus world is to center the information around the employee. During the workshop, the staff and management is informed about anti-bribery laws and policies, competition law, export control and risks concerning fraudulent IT and social engineering attacks.

Stabilus employees are encouraged to report compliance violations to their superiors, the Corporate Compliance Officer or the respective HR manager. In addition, an electronic reporting portal⁴ was implemented during fiscal year 2018. It provides a secure system for employees and business partners to report incidents or concerns to the Corporate Compliance Officer. These reports can be sent anonymously.

A formal Group-wide process for incidents and claims has also been established. These reports are part of regular reporting to Stabilus Group Management and the Supervisory Board. In case of an incident, the Corporate Compliance Officer follows up on any corrective actions taken.

In the financial year 2019 some cases of potential compliance violations were reported via the whistleblower system. While most of them have been closed without further findings, three are currently further investigated.

The Stabilus Business Partner Code of Conduct must be signed and adhered to by all business partners. It sets out rules for fair business practice, conducting fair business and preventing corruption as well as ensuring data privacy.

Luxembourg, December 12, 2019



Dr. Michael Büchsner
Management Board



Mark Wilhelms



Andreas Schröder



Andreas Sievers



Markus Schädlich

⁴ <https://stabilus.whistleblownetwork.net/WebPages/Public/FrontPages/Default.aspx>

INFORMATION RESOURCES

Further information including news, reports and publications can be found in the investor relations section of our website at www.ir.stabilus.com.

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Forward-looking statements

This non-financial report contains forward-looking statements that relate to the current plans, objectives, forecasts and estimates of the management of Stabilus S. A. These statements take into account only information that was available up and including the date that this non-financial report was prepared. The management of Stabilus S. A. makes no guarantee that these forward-looking statements will prove to be right. The future development of Stabilus S. A. and its subsidiaries and the results that are actually achieved are subject to a variety of risks and uncertainties which could cause actual events or results to differ significantly from those reflected in the forward-looking statements. Many of these factors are beyond the control of Stabilus S. A. and its subsidiaries and therefore cannot be precisely

predicted. Such factors include, but are not limited to, changes in economic conditions and the competitive situation, changes in the law, interest rate or exchange rate fluctuations, legal disputes and investigations, and the availability of funds. These and other risks and uncertainties are set forth in the combined management report. However, other factors could also have an adverse effect on our business performance and results. Stabilus S. A. neither intends to nor assumes any separate obligation to update forward-looking statements or to change these to reflect events or developments that occur after the publication of this non-financial report.

