

SUSTAINABILITY REPORT 2017

Responsibly ahead



KEY FIGURES

Results of operations

in EUR millions

	2017	2016	2015	2014	2013
Sales	1,138.9	1,042.0	1,060.7	959.7	857.0
Gross profit	205.1	206.5	202.9	174.6	155.6
Gross profit margin in %	18.0	19.8	19.1	18.2	18.2
EBIT	72.7	78.4	81.6	56.7	49.3
EBIT margin in %	6.4	7.5	7.7	5.9	5.8
Adjusted EBIT	91.2	90.4	94.0	70.7	59.3
Adjusted EBIT margin in %	8.0	8.7	8.9	7.4	6.9
Result for the period	41.0	43.5	51.7	32.7	24.4
Adjusted result for the period	52.7	53.7	62.2	43.7	28.8
Undiluted earnings per share	0.95	0.98	1.14	0.72	0.54
Adjusted undiluted earnings per share	1.16	1.18	1.37	0.96	0.63
Dividend per share	0.45	0.44	0.40	0.32	0.27

Net assets

in EUR millions

	2017	2016	2015	2014	2013
Balance sheet total	998.1	1,014.0 ¹	888.5	645.2	536.4
Equity	301.0	304.9 ¹	287.8	248.6	222.2
Equity ratio in %	30.2	30.1	32.4	38.5	41.4
Cash and cash equivalents	278.8	344.6	145.7	44.2	23.9
Net debt	105.5	97.1	122.4	137.1	123.0
Net working capital	120.6	110.3 ¹	116.6	102.7	76.1
Net working capital/ sales	11.0	10.9 ¹	12.0	10.9	9.4

Financial position

in EUR millions

	2017	2016	2015	2014	2013
Cash flow from operating activities before income tax paid	74.1	106.4	79.5	48.8	63.0
Cash conversion rate ² in %	81.3	117.7	84.6	69.0	106.2
Net cash flow from operating activities	56.8	92.7	63.1	36.0	54.0
Net cash flow from investing activities	-84.3	89.8	-139.1	-29.5	-23.5
Purchase of property, plant and equipment and intangible assets	-27.1	-25.0	-28.1	-30.1	-23.2
Free cash flow ³	29.7	67.7	35.0	11.3	30.8

Yield

in %

	2017	2016	2015	2014	2013
Dividend yield	2.5	3.2	3.2	2.9	2.5
Return on Capital Employed (ROCE) ⁴	9.5	9.1	10.7	11.0	11.7

Employees

	2017	2016	2015	2014	2013
Employees (on average)	3,565	3,259	3,325	3,346	3,106
Sales per employee (kEUR)	319.5	319.7	319.1	286.8	275.9

¹ Adjusted according to IAS 8.42 (cp. Section 2.4 "Changes in Accounting Policies" incl. in the Notes to the Consolidated Financial Statements)

² Cash flow from operating activities before income tax paid divided by adjusted EBIT

³ Net cash flow from operating activities less investments in property, plant and equipment and intangible assets

⁴ ROCE = EBIT / (total assets-current liabilities)

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RESPONSIBLY AHEAD – A MESSAGE FROM THE CEO



Detlef Borghardt, Chief Executive Officer (CEO)

*Ladies and Gentlemen,
Dear Shareholders and Investors,*

Here we present the first standalone sustainability report of the SAF-HOLLAND Group, where we describe what sustainability means to us at SAF-HOLLAND.

At SAF-HOLLAND, sustainability is an attitude. It is a core element of our corporate philosophy. Social responsibility, in particular, has long been a tradition at SAF-HOLLAND that is based on the history and corporate culture practiced by the former family-owned companies Otto Sauer Achs Fabrik (SAF) in Germany and HOLLAND HITCH in North America. Social

responsibility is part of our identity as a corporate citizen. It includes a responsible attitude towards our employees, the environment and society as a whole. Our business model needs to encompass these goals for us to enjoy lasting success, offer attractive training and jobs for our employees and, at the same time, generate income for our shareholders.

Our sustainability concept and our corporate objectives incorporate environmental and energy efficiency targets as well as social commitment and good, transparent corporate gover-

nance. At the SAF-HOLLAND Group, we pursue these goals in accordance with our seven fundamental corporate values: innovation, cost awareness, reliability, respect, teamwork, communication and honesty.

Sustainable management is particularly important in our role as employer. We want our employees to stay healthy and successful, which is why we offer health management, modern training and further education opportunities to promote individual development.

Our first sustainability report also encompasses our non-financial statement and the key non-financial figures, which coincide with our sustainability dimensions. In this report, we would like to give you an overview of the structure, objectives and results of the sustainability-related activities of the SAF-HOLLAND Group.

At the beginning of 2017, our international and cross-functional Corporate Social Responsibility (CSR) committees, the CSR Council and the CSR Reporting Working Group began to transform the ongoing individual projects into a Group-wide program. We provide regular updates on the progress of this program in our “INSIGHTS” employee magazine and on our “Think Ahead” website. We were particularly pleased to receive the European Transport Award for Sustainability from Transport trade magazine in recognition of SAF-HOLLAND’s overall corporate concept based on the “Think Ahead” sustainability campaign. At the same time, the CSR reporting team standardized and expanded the reporting structures for non-financial key figures on the basis of a materiality matrix developed from numerous interviews with the company’s customers, employees, suppliers and shareholders.

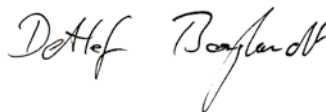
We have aligned ourselves to the standards and benchmarks of the Global Reporting Initiative (GRI), whose guidelines have become the international standard in sustainability reporting.

We have attempted to make our view of sustainability more tangible by combining the legal requirements under the CSR Directive Implementation Act with captivating reports. One example is our cooperation with the environmental organization “Plant for the Planet,” where we help sponsor children’s environmental academies and tree planting campaigns; another is our ongoing greenhouse gas reduction program for our fleet. Both of these projects are part of our overall corporate “Think Ahead” concept.

We want to continue on our path to making SAF-HOLLAND ever-more sustainable. Our goal is to gradually include all of our major manufacturing subsidiaries, including the new members in the SAF-HOLLAND Group, V.Orlandi and the York Group, in SAF-HOLLAND’s CSR reporting framework. We have set ourselves several ambitious but measurable goals over the next few years. One of these goals is our intention to continue to significantly reduce the energy consumption per axle system produced in the years ahead, which in turn will limit the emission of harmful greenhouse gases. How we are achieving this and the many other sustainability enhancing activities at SAF-HOLLAND can be found on the following pages.

We hope you enjoy reading our first sustainability report.

Sincerely,



Detlef Borghardt

**Chief Executive Officer (CEO),
Member of the Board of Directors
Member of the Management Board**

MEET THE CLIMATE AMBASSADORS

Taking action for the future with the Climate Ambassador Academy and tree planting campaigns in cooperation with Plant-for-the-Planet.



Planting trees and reducing greenhouse gases – pupils take action and set a good example.

Under the motto “Stop talking. Start planting,” SAF-HOLLAND and “Plant-for-the-Planet” invited a group of children to the Climate Academy in Hösbach-Winzenhohl near Aschaffenburg. Thirty girls and boys were very excited to take part in this very special environmental project.

Children teach children: although only youngsters themselves, the trained “Plant-for-the-Planet” ambassadors explained to their peers between the ages of 7 and 16 what it means to get involved in environmental protection and global justice. The ambassadors gave a persuasive presentation of information on the climate crisis and today’s environmental issues. In the public speaking training that followed, these young environmental activists also learned how to effectively use public relations and motivational training to promote climate protection.

Saving the best for last, the students made their own personal contribution to climate protection by planting 170 trees. At the end of the project, everyone agreed that it was a great day for both the participants and the environment! Stand by for more of these projects to come!



Raising environmental awareness: the climate ambassadors of tomorrow.



Find out more at:
[we-think-ahead.de/en/](https://www.we-think-ahead.de/en/)



CEO Detlef Borghardt did not want to miss the opportunity to welcome the young participants of the “Plant-for-the-Planet” Academy personally on behalf of SAF-HOLLAND.

HAND IN HAND FOR CLIMATE PROTECTION

The joint Climate Academy project of SAF-HOLLAND and the children’s and youth environmental initiative “Plant-for-the-Planet” combine the training of climate ambassadors with tree planting campaigns.



The ever-growing level of CO₂ emissions worldwide is forcing people to act. With the campaign “Stop talking. Start planting.” the “Plant-or-the-Planet” children’s and youth initiative, with the help of citizens, governments and corporate partners, has already planted 15 billion trees worldwide since 2007. Just nine year old at the time, Felix Finkbeiner launched this initiative and motivated children from all over the world to get involved – and with tremendous success! Following in the footsteps of environmental activist Wangari Maathai, Felix has won over a host of personalities as advocates including heads of state, government leaders and famous actors. Prince Felipe of Spain and Harrison Ford besides Prince Albert II of Monaco and Gisele Bundchen – to name a few – are among the supporters.

Although not quite as famous, we at SAF-HOLLAND are excited to be involved in this project. SAF-HOLLAND pledges its support of the “Trillion Trees Campaign” which aims at planting one trillion trees worldwide. We are very pleased that in our first year of cooperation with “Plant-for-the-Planet” we were able to contribute 80,000 new trees with each one capturing up to 10 kg of CO₂ per year on average. SAF-HOLLAND’s involvement has already helped save 800,000 kg of CO₂. By the way, Felix’s target is 1,000 billion newly planted trees – meaning we still have a long way to go before we have been able to neutralize a quarter of the CO₂ emissions produced worldwide. SAF-HOLLAND will continue to act as a supporter. Our trees absorb and reduce CO₂, besides contributing positively towards downsizing our carbon footprint as a manufacturing company.



Find out more at:
plant-for-the-planet.org

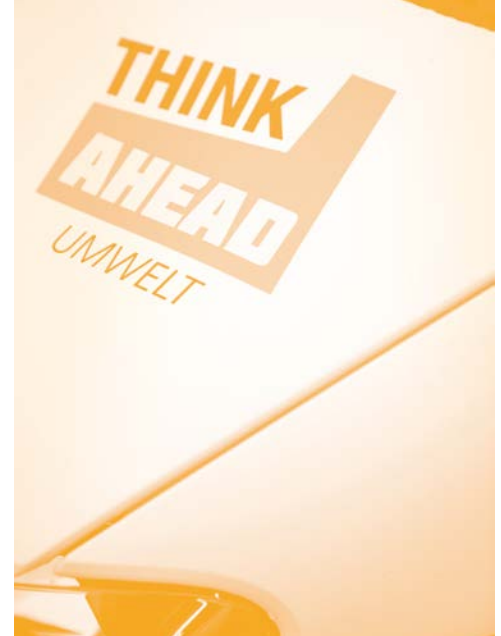
ABOUT “PLANT-FOR-THE-PLANET”
“Plant-for-the-Planet” is a children’s and youth initiative whose goal is to raise awareness among children and adults about global justice and the climate crisis. By hosting climate academies for children and adolescents and worldwide tree planting activities, the organization, founded in 2007, is actively engaged in reducing the global greenhouse gas emissions responsible for climate change.

ON THE ROAD TO AN EMISSION- FREE FUTURE

The use of alternative drives in vehicles is an effective way to save CO₂. SAF-HOLLAND has recognized the potential savings that can be gained from this approach and is now consciously relying on electric and hybrid drives when it comes to its own fleet of company vehicles.



SAF-HOLLAND CFO
Dr. Matthias Heiden picks
up the first e-Smart cars
for the company.



At SAF-HOLLAND, we use a significant number of vehicles for short commutes between our locations in the Aschaffenburg region. This fleet received a particularly environmentally friendly accrual in October 2017 with the addition of three "Smart Fortwo electric drive" cars. These cars are just as low-noise and space-saving as they are CO₂-neutral and represent a welcome enhancement to our plant commuting fleet – two-thirds of which is now comprised of electric and hybrid vehicles.

And, we intend to go one step further with our plans to increase our use of alternative drive vehicles in the future. Based on the long distances covered in our company vehicles, we have chosen to deploy hybrid technology. In doing so, we will see a step-by-step reduction in the volume of greenhouse gases emitted by our plant traffic and corporate fleet. Our contribution to climate protection is starting with ourselves.

Incidentally, our factories have long relied on e-mobility, for example, with the use of e-forklifts. We plan to convert more of our internal plant traffic vehicles to electric drives over the next few years.

The potential savings are compelling: An electric Smart car replacing a lower-middle-class, diesel-powered vehicle in our fleet, will save around 6,000 kilos of CO₂ every year.

A SMALL, COLORFUL EYE-CATCHER:

The youngest members of our fleet are completely CO₂ neutral. In striking colors, these small vehicles are an inspiration.



THINK AHEAD

The sustainability program of the SAF-HOLLAND Group is entitled “Think Ahead”. It has become an integral part of our corporate philosophy. A “rewarding” accomplishment in the truest sense of the word: SAF-HOLLAND received the 2018 European Transport Award for Sustainability for the category “Best Entrepreneurial Overall Concept.”

Sustainability practiced locally

SAF-HOLLAND’s global sustainability program “Think Ahead” is encompassing the entire Group. And yet, the focus of the activities and initiatives in the respective regions are actually quite different. We make a conscious effort to focus on cultural and local aspects because our idea of sustainability depends on the commitment of local employees. It is the employees who recognize the need to take action, bring in new ideas, offer suggestions and actively transform these into a variety of activities.

Our commitment in the US stands out in particular because of the attention we give to the communities and the people in the neighborhoods surrounding our locations. For example, we help students buy books and sponsor local reading programs. We also support the Freestore Foodbank in Cincinnati through donations to help provide hot meals to needy children on a regular basis. With other initiatives, you will see our staff rolling up their sleeves to personally take part in renovating youth basketball courts or building covered bus stops for school children.

Our activities in Europe and Asia are centered around environmental projects such as the children’s and youth initiative “Plant-for-the-Planet” described above. We also contribute by sponsoring creative local projects and a host of initiatives. Each month, participating SAF-HOLLAND employees round down their salaries and donate the penny amounts to the children’s clinic in Aschaffenburg under the motto “Pennies for a good cause.”

And we have created an atmosphere of innovation where new ideas are specially promoted with regular encouragement and motivation from the CSR Council for new projects. The most exciting projects are published in our INSIGHTS employee magazine and highlighted in our “TOP TEN” initiatives contained in our Group Sustainability Report (see page 39).

3 pillars – a number of initiatives

The three pillars – people, environment and energy – form the foundation of our Group-wide sustainability program.



People

Social commitment is important to us at SAF-HOLLAND. We want our employees to do well. At the same time, we take responsibility for people in our society who need support by being involved in a number of community projects.

Environment

Our environment affects us all. It is our firm belief that everyone can do their part to make the environment livable for future generations. We are aware of our responsibility both as a manufacturing company and a corporate citizen. And we demonstrate this through numerous activities and initiatives implemented into our processes and with the help of our products, to protect what is important to all of us.

Energy

When striving to actively save resources and thereby reduce energy consumption, even small actions can make a big difference. Since 2014, SAF-HOLLAND has been certified in accordance with the DIN ISO 50001 standard based on the Company’s high quality of energy management.



Find out more at:
we-think-ahead.de/en/

European Transportation Award for Sustainability

Of course, we are also very pleased to receive awards, as they show recognition for our still fairly recent commitment to this area and motivate those involved. In December 2017, the trade magazine “Transport” honored SAF-HOLLAND for the first time for its sustainability program “Think Ahead” with the 2018 European Transport Award for Sustainability in the category “Entrepreneurial Overall Concept.”

Transport trade magazine presented this coveted award for the fourth time in recognition of outstanding sustainable performance within the commercial vehicle industry. The winners are selected by a renowned jury of independent experts from the areas of business, science, associations and the media.



Members of the US CSR team Staci Carter, Kyle Braafhart and Scott VanDonkelaar exchange views on new project proposals. We are consistently launching new initiatives and are getting socially involved in the community based on ideas from our employees.



SAF-HOLLAND CEO Detlef Borghardt receives the European Transport Award for Sustainability in Munich in the category “Entrepreneurial Overall Concept.”

The paperless POD (Parts-On-Demand) catalog from SAF-HOLLAND

With our “paperless work” initiative, we are starting from the ground up: We are significantly reducing the number of printed catalogs, brochures and repair guides, saving energy and conserving resources – a successful example of digitization.

From axle and suspension components to fifth wheel couplings, kingpins and landing gear to ball race turntables and accessories – our modern digital POD catalog allows our customers to select products easily. The digital version replaces the approximately 3,900 printed pages of paper previously required for each printed catalog. When versions in different languages are added together, they quickly add up to almost 50,000 pages. Updates can quickly be processed in the online catalog, which also saves resources.

With just a few clicks and a very short period of time, repair shops, retailers and service partners can order their spare parts by email from their local dealers – 100 % paperless and guaranteed to be CO₂ neutral.

Incidentally, the new SAF-HOLLAND 2017 Annual Report entitled “Smart Steel” and the current issue of “Engineer Build Connect” magazine also were digitized and are available online – up-to-the-minute and environmentally friendly.

1. CORPORATE MANAGEMENT

1.1 THE SAF-HOLLAND GROUP AT A GLANCE

GRI 102-1, GRI 102-2, GRI 102-3, GRI 102-5, GRI 102-7, GRI 201-1

SAF-HOLLAND S.A., located in Luxembourg, is the largest independent listed commercial vehicle supplier in Europe. With sales of EUR 1,138.9 million and an average of 3,565 employees in 2017, we are one of the leading international manufacturers of chassis-related systems and components primarily for trailers, trucks, and buses. The product range comprises axle and suspension systems, fifth wheels, king-pins, and landing gear marketed in the original equipment business under the brands SAF, HOLLAND and Neway.

SAF-HOLLAND sells its products to original equipment manufacturers (OEMs) on six continents. The Group's Aftermarket business supplies spare parts to the service networks of original equipment suppliers (OES), as well as to end customers and service centers through its extensive global parts distribution network. SAF-HOLLAND is one of the few suppliers in the truck and trailer industry that is broadly positioned internationally in almost all markets worldwide. With the innovative SMART STEEL – ENGINEER, BUILD, CONNECT campaign, SAF-HOLLAND combines mechanical components with sensors and electronics and is driving ahead the digital networking of commercial vehicles and logistics chains.

Key figures

in EUR millions

	2017	2016	2015
Sales	1,138.9	1,042.0	1,060.7
Gross profit	205.1	206.5	202.9
EBIT	72.7	78.4	81.6
EBIT margin in %	6.4 %	7.5 %	7.7 %
Total assets	998.1	1,014.0	888.5
Equity	301.0	304.9	287.8

In the 2017 financial year, SAF-HOLLAND was able to further expand its market position and increase Group sales by 9.3 % to EUR 1,138.9 million (previous year: EUR 1,042.0 million). The Group's earnings before interest and taxes (EBIT) amounted to EUR 72.7 million in the 2017 financial year (previous year: EUR 78.5 million), and the EBIT margin was 6.4 % (previous year: 7.5 %).

PRODUCTS CONTRIBUTE SIGNIFICANTLY TO SUSTAINABILITY

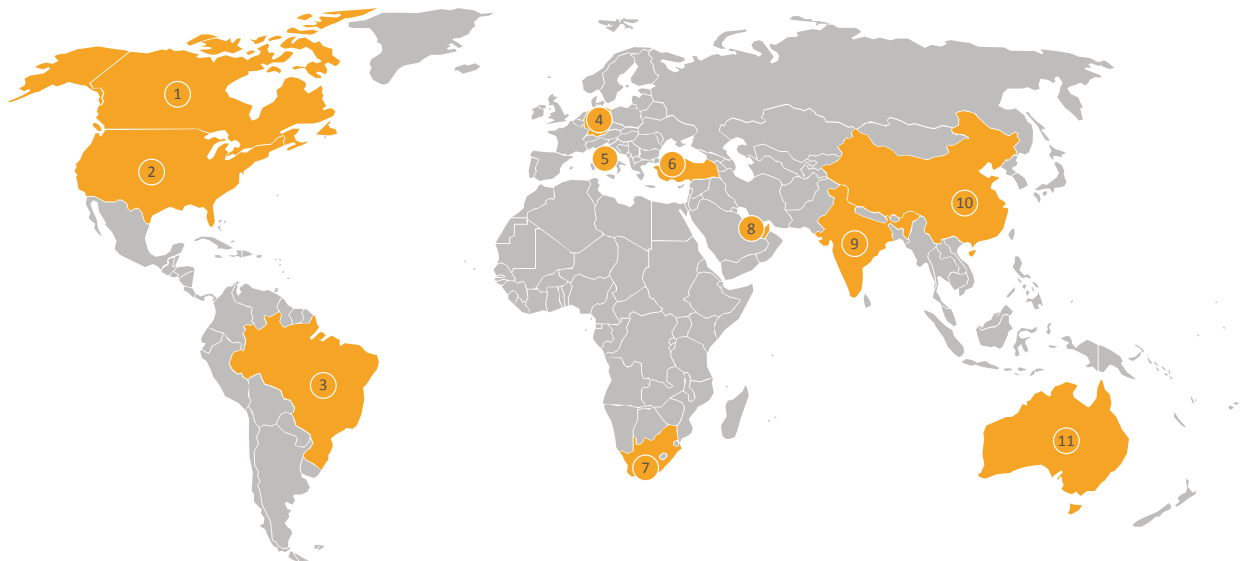
SAF-HOLLAND not only focuses on internal and company-related sustainability but through its products and solutions also helps customers in the commercial vehicle industry effectively achieve their sustainability targets. SAF-HOLLAND's product portfolio is unique in its focus on products that are crucially important to truck and trailer manufacturers in terms of quality, performance, innovation and safety standards. Our innovative product range specifically designed to save weight is a clear reflection of the importance sustainability has at SAF-HOLLAND. Our lightweight trailer axle and suspension systems, for example, make a significant contribution to reducing CO₂ and pollutants by helping to reduce trailer

weight and improve the tractor's fuel economy. This reduces fuel consumption and greenhouse gas emissions. In our highly mobile society, the proven high level of safety provided by SAF-HOLLAND products helps increase safety on the road and is socially responsible at the same time.

GRI 102-4, GRI 102-6, GRI 102-10

SAF-HOLLAND's products are manufactured at 19 production locations in 11 countries on 6 continents, making us one of the most geographically diversified suppliers in our industry. The majority of our production is in North America and Germany, but we also have production plants in China, Brazil, South Africa, Turkey, Italy, Canada, India, Australia and the United Arab Emirates. In the 2017 financial year, we restructured our North American plant network. At the center of the restructuring was the reduction in the number of US production plants from the previous seven plants to a total of five. To achieve this, we integrated the production of our Muskegon (MI) and Holland (MI) locations into the Group's locations in Dumas (AR), Cincinnati (OH) and Wylie (TX). The measures were completed in December 2017.

SAF-HOLLAND production locations



- | | | | | |
|--|---|---------------------------------------|--|-------------------------------|
| 1 Canada
Woodstock | 3 Brazil
Alvorada | 5 Italy
Flero
Nave | 8 United Arab Emirates
Dubai | 11 Australia
Melton |
| 2 USA
Cincinnati, OH
Dumas, AR
Warrenton North, MO
Warrenton South, MO
Wylie, TX | 4 Germany
Bessenbach/
Frauengrund
Bessenbach/
Keilberg
Singen | 6 Turkey
Düzce | 9 India
Chennai | |
| | | 7 South Africa
Johannesburg | 10 China
Baotou
Xiamen | |

With roughly 10,000 spare parts, service stations, dealers and repair shops in over 80 countries, SAF-HOLLAND also has one of the broadest spare parts and service networks in the industry. SAF-HOLLAND is densely represented throughout its core markets of Europe and North America.

The Group's key sales markets are currently Europe and North America. In the 2017 financial year, roughly 90 % of sales were generated in these two regions. SAF-HOLLAND's activities outside of these established sales markets are mainly concentrated in the BRIC countries, the Middle East and Australia. In China and Brazil, among others, SAF-HOLLAND is not only active in the truck and trailer sector but also in the segment for bus suspensions.

With the growth strategy 2020 presented in 2015, SAF-HOLLAND has aligned its business to the global megatrends of the transport industry. The expected strong growth in global consumption, driven by factors such as the growing world population and rising purchasing power, especially of the middle class, is leading to a growing demand for goods

and thus steadily increasing transport volumes. This requires high investment in means of transport, especially in trucks and trailers, which are at the beginning and end of each supply chain. This structural market growth is mainly occurring in the emerging markets, particularly in the Asia-Pacific, Middle East and Africa markets.

1.2 UNDERSTANDING OF SUSTAINABILITY AND ORGANIZATIONAL INTEGRATION AT SAF-HOLLAND

SUSTAINABILITY IN THE SAF-HOLLAND GROUP: BORN OUT OF TRADITION

At the SAF-HOLLAND Group, sustainable business practices and the assumption of social responsibility are firmly anchored in the corporate philosophy and strategy. Social responsibility stretches far back in the history and culture of the two companies founded as family businesses in 1881 (Otto Sauer Achsenfabrik) and 1910 (Safety Release Clevis Company, Michigan).

Today, sustainability at SAF-HOLLAND is an integral part of corporate management. The implementing and setting of objectives Group-wide are directly controlled by the CEO. The CEO also heads the CSR Council of the Group, which was set up in 2017, and together with the Working Group CSR Reporting led by the CFO plans and implements the strategic sustainability measures and the Group's CSR reporting.

The Company always strives to find the right balance between the ecologically feasible and the economically meaningful and combines sustainable action with the Group's economic success. The SAF-HOLLAND Group is certain that the sustainability measures implemented thus far are already making a significant contribution to identifying the risks and opportunities for its business model from social, environmental and management-related factors at an early stage to ensure that the Company remains viable in the future. The aim is to transform environmental issues and sustainability targets into a long-term competitive advantage.

LONG-TERM VIABILITY ENSURED THROUGH SUSTAINABLE ACTION

We believe that sustainable action drives innovation at the Company and secures its future viability at the same time. The SAF-HOLLAND Group strives to be the most respected supplier of best-in-class components, systems and services to facilitate the success of its fleet customers worldwide. The SAF-HOLLAND Group pursues this goal in accordance with its seven corporate values: innovation, cost awareness, reliability, respect, teamwork, communication and honesty.

AN ORGANIZATIONAL STRUCTURE FOR SUSTAINABILITY MANAGEMENT: THE CORPORATE SOCIAL RESPONSIBILITY COUNCIL BRINGS SUSTAINABILITY ISSUES TO THE FOREFRONT

To strategically plan and better manage the sustainability activities of the SAF-HOLLAND Group, the Company established an international and multi-disciplinary Corporate Social Responsibility Council (CSR Council). The members of the Council are the Chief Executive Officer, the Chief Financial Officer and senior representatives from the areas of Human Resources, Health, Safety, Environment and Quality Management, Engineering, Logistics (Shipping), Marketing, Facility Management, Aftermarket and Group Procurement. The CSR Council is responsible for setting the strategic guidelines for sustainability management in the SAF-Holland Group. The Council meets regularly at least per quarter to address not only fundamental and conceptual issues related to the Company's sustainability policy but also concrete proposals and initiatives with respect to specific topics such as improving energy efficiency, reducing waste and promoting staff and increasing the Group's social engagement.

SUSTAINABILITY REPORTING IS THE RESPONSIBILITY OF THE WORKING GROUP CSR REPORTING

The CSR Reporting Working Group was established in the 2017 reporting year, underscoring the importance of sustainability at the SAF-HOLLAND Group. In establishing this interdisciplinary working group, the Company has laid the foundation for comprehensive Group-wide sustainability reporting. The Company has enhanced and expanded the scope of non-financial measures and KPIs (Key Performance Indicators) regularly reported on in comparison to those previously included in the sustainability chapter in the Company's Annual Report.

Most of the reporting from the individual entities has also been largely integrated into the automated consolidation process via the SAP BPC software solution and standardized at the same time.

The Working Group CSR Reporting consists of the Chief Financial Officer and representatives from the areas of Human Resources, Health, Safety, Environment and Quality Management, Procurement, Legal and Compliance, Group Consolidation & Controlling and Investor Relations/Corporate Communications.

The Working Group CSR Reporting discusses the conceptualization and fulfillment of external reporting obligations, including bridging together financial and non-financial information, and defining the strategic guidelines for sustainability reporting. The Working Group CSR Reporting shares its results with the CSR Council and makes corresponding recommendations for action.

In 2017, SAF-HOLLAND conducted a materiality analysis for the first time with the support of external experts. The aim of the analysis was to identify the most relevant sustainability topics for the Company to create a starting point for the strategic development of sustainability management. The relevance of more than 100 sustainability issues was assessed internally for this purpose within the scope of several workshops and with the direct involvement of the Management Board.

The views of external stakeholders were gathered through a survey of 50 international stakeholders, 40 from the EMEA/I region and 10 from the Americas region. We took all stakeholder groups into consideration and surveyed representatives from the capital market, customers, suppliers, academia, media, politics, society and employees. The combination of the different internal and external perspectives was intended to provide as accurate a picture of the sustainability topics relevant to the Company.

As a result of the survey, 13 topics were identified as priorities stemming from the areas of corporate management, products, the environment, employees and social involvement.

TWO PERSPECTIVES AND THIRTEEN TOPICS

The materiality matrix shows the relevance of the 13 most important sustainability topics for SAF-HOLLAND from both an external and internal perspective. The vertical axis of the matrix represents the importance of sustainability topics for SAF-HOLLAND from the point of view of its stakeholders, ranging from very important to extremely important. The horizontal axis shows the importance of the topics from the perspective of SAF-HOLLAND. The combination of the two perspectives clearly shows that a different focus is placed internally and externally, but that overlaps also occur. For example, the topics “Safe products” and “Customer satisfaction & customer focus” have a high relevance internally and externally, while the topic “Employer attractive-

ness & employer branding” is of greater relevance internally. The focus we place on our sustainability reporting is based on the internal and external relevance of the topics. We plan to continue to periodically adapt the materiality matrix in the future to the current interests of the internal and external stakeholders.

In addition to the materiality analysis, a review was conducted in accordance with the CSR reporting requirements. An assessment was made to determine the information necessary to gain an understanding of the business performance, the results of operations, SAF-HOLLAND’s position and the impact of its activities on the aspects referred to in the law and upon which reporting should be based. This review identified the following five key issues: CO₂ emissions, occupational safety, human rights, anti-corruption / bribery and product safety.

Materiality matrix for SAF-HOLLAND S.A.



CONTINUOUS DIALOG WITH OUR STAKEHOLDERS

GRI 102-13, GRI 102-40, GRI 102-42, GRI 102-43, GRI 102-44

Maintaining a continuous dialog with our stakeholders helps us to operate our business in conformity with the market. SAF-HOLLAND stakeholders are interest groups that we exchange with or those who are interested in our economic activities. Major stakeholders include our customers in the areas of Original Equipment Manufacturing and Aftermarket as well as our suppliers, employees, local residents, investors, financiers, politicians, competent authorities as well as representatives of academia.

Depending on the type of stakeholders and the nature of the topics to be discussed, SAF-HOLLAND may choose to communicate through bilateral discussions, conferences, campaign memberships, forums or press releases. We also regularly exchange information with our customers and suppliers about our different areas of specialization at trade fairs and customer and supplier days in addition to conducting surveys and responding to their requests. In development meetings with our employees, we discuss idea management, internal media, staff meetings and employee surveys. Residents near our sites are offered plant tours and community meetings. We promote cooperation and dialog with science and research through collaborations, endowments and lectures. In 2018, we plan to increase our communication with stakeholders by joining the UN Global Compact initiative and reporting on our progress in the area of sustainability as required.

THE FUTURE OF BUSINESS THROUGH ACCELERATED SUSTAINABILITY MANAGEMENT – SAF-HOLLAND TO JOIN THE UN GLOBAL COMPACT INITIATIVE

We will continue developing our sustainability approach in 2018 by focusing on the thirteen topics relevant to SAF-HOLLAND described above. Our approach will be based on the formulation of a sustainability program and new targets. With our plan to create the new position of CSR Officer, we have already taken an important step in this direction that will allow us to actively support the evolution of our sustainability management going forward. We also plan to join the UN Global Compact initiative in the second quarter of 2018. Joining this initiative will underscore our commitment to doing business with a long-term perspective, including taking active responsibility for our sustainable development while meeting the current capital market requirements at the same time.

1.3 CORPORATE GOVERNANCE AND COMPLIANCE CONFIRMED THROUGH THE FULFILLMENT OF LEGAL REQUIREMENTS

VOLUNTARY COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE

GRI 102-12, GRI 102-18

SAF-HOLLAND is a Société Anonyme (S.A.) under Luxembourg law. The Company's management and control therefore deviate from the organizational structure of a German stock corporation. While German corporate law provides for a two-tier model consisting of the Management Board and the Supervisory Board, the management structure of a Société Anonyme is based on the single-tier principle of the Anglo-American board system.

As a Luxembourg-based Société Anonyme (S.A.) exclusively listed in Germany, SAF-HOLLAND is neither subject to Luxembourg or German standards for corporate governance. Nevertheless, the Board of Directors and the Management Board are committed to responsible and transparent corporate governance, business integrity, sustainability and compliance with ethical values. SAF-HOLLAND therefore complies with the recommendations and suggestions of the German Corporate Governance Code on a voluntary basis to the extent allowed by Luxembourg corporate law and the Company's single-tier structure. Our Declaration of Conformity with the German Corporate Governance Code is available online under www.corporate.safholland.com/en/company/about-us/corporate-governance/corporate-governance

Further information on corporate governance at SAF-HOLLAND can be found in the corresponding section in the Annual Report.

SYSTEMATICALLY ENSURING COMPLIANCE

GRI 205/103, GRI 206/103, GRI 307/103, GRI 406/103, GRI 407/103, GRI 408/103, GRI 409/103, GRI 412/103, GRI 418/103, GRI 419/103, GRI 102-16, GRI 102-17, GRI 205-2, GRI 206-1, GRI 307-1, GRI 406-1, GRI 407-1, GRI 408-1, GRI 409-1, GRI 412-2, GRI 418-1, GRI 419-1

Compliance is an integral part of the SAF-HOLLAND corporate culture. It forms the basis for the trust placed in us by our customers, shareholders, business partners, suppliers, employees and other stakeholders. In addition to merely complying with the law, we see compliance as faithful, reli-

able and sustainable corporate governance based on ethical values. Our aim is to act in accordance with the rules to protect our Company, as well as our employees and business partners, from any potential damage. SAF-HOLLAND therefore endeavors to detect, resolve and prevent potential violations at an early stage.

In order to accomplish this, we have set up a compliance department whose task it is to help employees meet these expectations. Our Group Code of Conduct summarizes our compliance requirements, which are binding for SAF-HOLLAND as a Company, our management and for each individual employee.

The Code of Conduct includes but is not limited to regulations on:

- the prohibition of illegal business practices, such as illegal cartel agreements, bribery, corruption and insider transactions;
- the prohibition of unlawful discrimination, child or forced labor as well as the infringement of the intellectual property rights of third parties; and
- the right of all employees to fair treatment and occupational safety.

The Code of Conduct is available to our employees in our two corporate languages English and German. We continually review the Code for timeliness and adjust it accordingly if necessary.

We plan to introduce a separate Code of Conduct for suppliers. The purpose of the Code will be to communicate the compliance requirements SAF-HOLLAND has imposed on itself to our suppliers.

Other more specific policies and memorandums govern certain compliance-related issues such as how to deal with insider information. When changes in the legal framework occur, the relevant information is updated and the employees affected are informed. The Board of Directors ensures compliance with the law and the Company's internal guidelines and is working to ensure compliance by the Group companies. Compliance management issues are part of the responsibility of the Audit Committee of the Board of Directors.

The risk management system takes compliance risks into account.

We mitigate specific and potential compliance risks through the implementation of our Code of Conduct, our Compliance department and our compliance management. Compliance management ensures that preventive measures are established within the business processes. Existing measures undergo an ongoing improvement process, whereas the structure and effectiveness of our compliance management are subject to reviews by our Internal Audit department.

In the 2017 financial year, SAF-HOLLAND completed the preparations for implementing an electronic whistleblowing system. One of the purposes of this system is to make it even easier in the future to monitor the adherence to our compliance requirements. At the beginning of 2018, with the help of this online tool, our employees were given the opportunity to anonymously provide information about legal violations (such as corruption or discrimination) within or by the Company. The protected system also gives external persons, such as customers, business partners and the public, the opportunity to report such information through the system, which is accessible on our website under www.corporate.safholland.com/en/node/5380. All incoming information is then promptly reviewed by our Compliance department.

MANAGEMENT HAS MADE A DISTINCT COMMITMENT TO COMPLIANCE

Our desire to maintain compliance at all times worldwide also receives strict attention while implementing our growth strategy 2020. Here, our executives play a key role. They create a corporate culture and raise employee awareness of compliance issues in their business regularly.

In keeping with the "tone-from-the-top" principle, this begins with an unequivocal commitment by the management. Chief Executive Officer Detlef Borghardt reiterated the importance of ethical corporate governance in an international meeting of 114 Group executives in May 2017. The Code of Conduct and other compliance requirements, for example, to prevent corruption, were discussed and confirmed in writing by the executives present. Among other things, the executives ensured that they would make their employees aware of the Code's rules and contents to facilitate a cascade of communication throughout the entire Group.

A FOCUS ON RESPECT FOR HUMAN RIGHTS

SAF-HOLLAND expects its employees to respect human rights worldwide in an effort to completely avoid the violation of human rights in the Company's business activities. The Code of Conduct emphasizes the principle of human dignity and prohibits unlawful discrimination, child labor and forced labor. We do not see an elevated risk of child or forced labor at any of the SAF-HOLLAND Group locations. Our employees' interests are represented by trade unions and/or works councils at all locations in Germany, the United States and China. SAF-HOLLAND also supports the right to freedom of association and collective bargaining – provided this is allowed by outside regulations – at our other locations.

We also expect our business partners to respect human dignity. In the 2017 reporting year, for the first time, two subcontracting companies were interviewed on the topic of child labor as part of an on-site quality audit and later examined as part of a quality audit inspection. In 2018, six more of these quality audits were being carried out at suppliers at the time of the editorial deadline of this report. No abnormalities or child labor violations were found in any of these audits.

During the reporting period, SAF-HOLLAND was not aware of any cases of human rights violations in its own business activities.

PREVENTING ACTIVE AND PASSIVE CORRUPTION AND BRIBERY

SAF-HOLLAND strives for the complete and worldwide prevention of corruption and bribery. The "Guideline on how to handle benefits to and from business partners" supplements the provisions of the Code of Conduct. It is generally forbidden to offer or grant personal benefits or to request or accept them from business partners in return. Allowable benefits, for example, must generally be disclosed starting at an amount of EUR 30.

HIGH DATA PROTECTION AND DATA SECURITY STANDARDS

Robust data protection and data security management are not only of great importance to SAF-HOLLAND due to legal requirements but also to secure the long-term confidence of customers, suppliers, employees and other interested parties in the safe and lawful handling of personal data.

This is the reason why the Company has established high standards. An example of this is the comprehensive process management manual for SAF-HOLLAND GmbH that summarizes various IT privacy and security guidelines, such as the general guidelines for data security, for the proper use of computers and the Internet, for the allocation of authorizations and for the IT emergency concept.

Preparing for the new requirements of the European General Data Protection Regulation (GDPR) was a key focus in the 2017 financial year. In order to implement the extensive legal requirements before the regulation takes effect on May 25, 2018, SAF-HOLLAND GmbH appointed a lawyer as its Data Protection Officer in 2017. This employee prepared for her future task even before her official appointment by completing a tailor-made training course hosted by an external service provider. There was also close cooperation with the consultants of the employers' association.

The Data Protection Officer of SAF-HOLLAND GmbH has an independent role and reports directly to the management. Her area of responsibility includes ensuring employee awareness and training with respect to data protection and providing advice and support to the departments affected by the implementation of the European General Data Protection Regulation (GDPR). In the year under review, 93 % of all new employees received data protection training through an e-learning program. The training courses will be expanded in the future and will be offered via a standardized learning management system together with the other training courses offered by the Company. The implementation of the European GDPR will continue to be a priority.

Data protection and data security training

	2017	2016	2015
New employees trained	80	38	3
Percentage share of all new employees	93 %	100 %	75 %
Total number of training hours (E-learning program)	13 hrs 20 min	7 hrs 50 min	1 hr

The Data Protection Officer not only acts as an advisor but also monitors the Company's compliance with European and national data protection regulations. Since the beginning of 2018, compliance with data protection requirements has been reviewed in the annual quality audits.

SAF-HOLLAND GmbH and SAF-HOLLAND Inc. were not aware of any serious events in 2017 regarding the loss or theft of customer data. Potential, identifiable threats to data security were detected early, preventing attacks or data loss. Starting in 2018, data protection complaints and violations can also be reported anonymously via the electronic whistleblowing system.

OUTLOOK: A CONTINUAL INCREASE IN AWARENESS

In 2018, even more comprehensive communication of the compliance requirements throughout the SAF-HOLLAND Group is planned in addition to a revision in the guideline for benefits. E-learning training delivered through the Learning Management System is designed to raise employee awareness of responsible and compliant behavior and to better understand the compliance guidelines.

We also plan to join the UN Global Compact initiative and its associated commitment to the 10 universal principles with respect to human rights, labor standards, the environment and corruption prevention.

1.4 THE CODE OF CONDUCT AS THE BASIS FOR SUSTAINABILITY IN THE SUPPLY CHAIN

SAF-HOLLAND's network of suppliers is active worldwide. The Company does not believe that its responsibility ends with its own added value but sees it as crucial that its suppliers also implement the environmental, social and product standards of SAF-HOLLAND at their own sites. We monitor this through routine on-site audits that place a special focus on product quality. Only in this way can we especially guarantee the safety of our products.

DIVERSE PRODUCT GROUPS

GRI 204/103, GRI 102-9, GRI 102-10, GRI 204-1, GRI 308-2

The direct production material spans across 14 product groups and ranges from a grease nipple the size of just a few millimeters to a 400 kg leaf spring. There are also auxiliary and operating substances, lubricants and packaging materials. In the procurement of these various input materials, we work together with a large number of suppliers. In the 2017 financial year, 1,005 companies delivered to locations in the EMEA/I region and 1,923 suppliers to the Americas region.

Most of the materials are sourced in the region of the respective production site. Nearly 87 % of the materials sourced from locations in the Americas are from this same region, followed by the EMEA/I region with a 10 % share. This also means that the majority of Tier 1 suppliers originated from developed economies with high regulatory standards. We generally do not expect any significant risks from the suppliers of these countries with respect to their non-compliance with our social and environmental standards.

Number of suppliers by region

	2017	2016	2015
EMEA/I region ¹	1,005	914	936
Americas region	1,923	2,021	2,217
New suppliers in the FY			
EMEA/I region	181	155	38
Americas region	391	379	381

¹ Excluding locations in Chennai (India) and Düzce (Turkey)

CLEAR SPECIFICATIONS FORM THE BASIS OF THE BUSINESS RELATIONSHIP

Our business activities are guided by the SAF-HOLLAND Code of Conduct. In the Code, we take a clear stance against unethical business practices such as corruption, child labor and forced labor, and are committed to a free, fair and transparent market. The principles of the Code of Conduct must also be observed by our suppliers. We already point out these principles, which are listed in the contract documents, to every supplier today. We are also currently developing a Supplier Code of Conduct in order to communicate our understanding and requirements of fair trade relations to our suppliers as best as possible.

We did not become aware of any violations of the Code of Conduct during the reporting year. We also have no significant evidence suggesting that the suppliers' principles set out in the Code of Conduct could be seriously jeopardized, particularly the principles related to negative environmental effects, the use of forced, compulsory or child labor or the right to freedom of association and collective bargaining. Should we become aware of significant violations or significant threats, we will investigate them in accordance with the business processes, depending on the individual case, and work toward adequate remedial action.

STATEMENT ON CONFLICT MINERALS

SAF-HOLLAND does not use the raw materials tantalum, tin, tungsten or gold from the Democratic Republic of the Congo or its neighbors in its products. We are therefore not directly affected by the Dodd-Frank Act (Section 1502).

INITIAL AND ROUTINE AUDITS

GRI 414/103, GRI 308/103, GRI 308-1, GRI 414-1

In order to ensure that SAF-HOLLAND's suppliers maintain a high degree of process and product quality at all times, we have developed supplier guidelines that have been regionally adapted and include procedural instructions for the acceptance of new suppliers, as well as the routine auditing of existing suppliers. These supplier guidelines provide potential suppliers with complete transparency with respect to SAF-HOLLAND, its supplier acceptance process and meeting our high process and product quality standards.

The acceptance of new suppliers is a multi-step process. The first step is to gather information from potential new suppliers to give SAF-HOLLAND an initial impression of the supplier's suitability. This step is then followed by one or more supplier audits. Acceptance can only be granted if the audit results are completely satisfactory. It is possible to repeat an audit. Audits are conducted personally on-site by employees of the SAF-HOLLAND quality department and concluded with the preparation of an audit report. In addition to the decision on approval, the report may also contain quality improvements and corrective actions (i.e., a corrective action plan) whose punctual completion should be confirmed by the supplier in writing. We are continually updating the scope of the audits. For example, during the reporting year new environmental and social standards were added to the list of criteria to be audited.

We also regularly review and evaluate our existing suppliers. Each year, SAF-HOLLAND groups its existing suppliers into three categories: quality, purchasing and logistics. A satisfactory result is the prerequisite for continuing the supplier relationship and, if necessary, permits an upgrade in the supplier's status. The best possible rating is "preferred supplier." This classification requires that the supplier delivers consistent performance and achieves the highest ratings possible in all three categories for a period of at least one year. As part of the supplier evaluation, environmental and energy management certifications are recommended and requested. Should the supplier not have these certifications, this currently does not lead to a reduction in the supplier's classification.

In the 2017 reporting year, for the first time, two subcontracting companies were interviewed on the topic of child labor as part of an on-site quality audit and later examined as part of a quality audit inspection. In 2018, six more of these quality audits were being carried out at suppliers at the time of the editorial deadline of this report. No abnormalities or child labor violations were found in any of these audits.

In order to guarantee the quality of the products we purchase, SAF-HOLLAND also conducts a monthly internal assessment of each supplier based on their PPM (parts per million) error rate. This quality indicator reveals the number of complaints that occurred for every one million parts delivered. The monthly PPM error rate is included in the supplier's annual quality assessment on a pro rata basis.

COLLABORATIVE PARTNERSHIPS FOR ONGOING IMPROVEMENT

Optimal purchasing management in the SAF-HOLLAND Group is based on a deep and cooperative relationship with our suppliers. Together with our suppliers, we work on continually improving our products and processes, their quality and their cost. Only in this way can we meet the growing demands placed on our product by our OEM and fleet customers and ensure the success of our own business as well as that of our trading partners.

Our high quality standards dictate that products remain problem-free for the users throughout their entire lifetime, which is the reason we follow a zero-complaint strategy. To achieve this degree of quality, our suppliers must also maintain the highest quality possible. SAF-HOLLAND works to ensure this by accompanying the suppliers throughout the product's entire service life and supports suppliers with further development. SAF-HOLLAND employees assist suppliers with error analysis and quality management in order to increase their processing capabilities and avoid process and repeat errors.

2. PRODUCTS

Our aim with our components and systems is to be the preferred supplier for commercial vehicles. This means that the top priority when developing our products is their safety, efficiency and durability. In following this approach, we not only reduce the costs incurred by our customers but also create added value from an environmental perspective.

2.1 LONG-ESTABLISHED TECHNOLOGICAL LEADERSHIP

SAF-HOLLAND offers its customers a comprehensive portfolio of components along its core products of axle and suspension systems, fifth wheel couplings, truck and bus suspensions, and kingpins and landing gear. As a technological leader, SAF-HOLLAND is continuously working on the further evolution of this product range. The aim of our research and development activities is to optimize our customers' total cost of ownership through innovative products and ensure the efficient operation of their fleets. In addition to customer-tailored functionality, our focus is on product quality and safety, as well as durability and lightweight construction.

INNOVATIONS CREATE DIGITAL CONNECTIVITY

Our goal is to offer our customers innovative products that lower their total cost of ownership (TCO) thereby ensuring that their fleets operate efficiently. Consequently, the matters of weight reduction through lightweight components, durability and safety have been the focus of our research

and development activities for many years. In the 2017 financial year, we defined digitization as another field of focus for our development activities and set up a dedicated team consisting mainly of American and European experts.

At SAF-HOLLAND, digitization means combining our mechanical products with sensors and electronics, such as integrating electronic intelligence into our axles, suspensions and fifth wheels. This connection is absolutely necessary first to facilitate automated driving and second to make autonomous driving a reality. This prompted us to move decisively forward with the development of a series of new, innovative products in the 2017 financial year, which vastly automate work that was previously done manually, such as the SAF Tire Pilot, the HOLLAND ELI-te™ Retro Fit Kit and the single-point automatic lubrication pump RECOLUBE. This saves time and enables fleet operators to bring down their operating costs. At SAF-HOLLAND, all initiatives for combining mechanics and electronics fall under the motto of SMART STEEL – ENGINEER, BUILD, CONNECT.

In 2017, our investment in research and development amounted to 2.2 % of sales, the same ratio as in the prior year. The sum invested equaled EUR 24.6 million and was 5 % higher than in the previous year. At the end of the 2017 financial year, there were 175 people employed in the areas of development, design and testing.

Multi-year overview of research and development

	2017	2016	2015	2014	2013
R&D expenses including capitalized development costs (in EUR millions)	24.6	23.4	24.6	21.9	19.1
R&D ratio (expenses in % of sales)	2.2	2.2	2.3	2.3	2.2
Number of employees in the areas of development, design and testing	175	192	191	171	164

2.2 STRONG CUSTOMER FOCUS RESULTS IN HIGH CUSTOMER SATISFACTION

Our aim is to be the preferred supplier of best-in-class components, systems and services. This is how we intend to safeguard the success of our global fleet customers. In order to ensure that our customers are satisfied, we set ourselves strict internal product quality guidelines and follow a zero-complaint strategy. The effort is worth it: we not only save the customers time and work but also offer a clear cost

advantage creating the best conditions possible for securing a high degree of customer loyalty.

CUSTOMER-DRIVEN PRODUCTS INCREASE CUSTOMER SATISFACTION

Periodic market studies help us to tailor our product development to our customers' needs and desires. By monitoring market trends, our aim is to develop products that our customers will need in the near future.

One of our major tasks is providing our various customer groups with targeted and individual support, which we are always improving. In the case of Original Equipment customers, we involve vehicle manufacturers in our development process to ensure that our products and their vehicles are compatible. We regularly inform our fleet customers about the advantages of SAF-HOLLAND products so that they can select the right products for their next order of vehicles. The most important issue for our Aftermarket customers is the fast and targeted handling of spare parts. Through our dense network of repair shops, which we continuously support and train, we offer our fleet customers the best possible service and significantly reduce downtimes.

We use our communication with customers to record their level of satisfaction and any desires so that we can optimally tailor our product range. We communicate with our customers when providing personal service at sales meetings, during plant tours, at trade fairs and open house days and in the context of training courses.

We have a defined process for incorporating customer requirements into the development of SAF-HOLLAND products. In our product development process, all information relevant to development is collected and presented in the project overviews and product specification data sheets. Customer needs are then discussed in our multi-departmental milestone meetings. When there is a decision to incorporate a customer need into a specific project, this task will continue to be supervised and finalized in engineering meetings.

We measure the success of our approach to customer service at regular intervals through customer surveys. The most recent surveys took place in 2015 in the European Aftermarket segment and in 2016 in the area of Original Equipment Manufacturing. By limiting the surveys to specific regions and markets, we are able to focus our questions and analysis of results on each respective market. Surveys are also a way to bring up issues such as customer satisfaction and complaint processing, as well as our technology and our capabilities. Later, SAF-HOLLAND initiates projects and takes action to fulfill customer requests. This approach is what led to our development of cloud-based customer complaint software, which facilitates the future transparent and prompt processing of customer feedback. We also improved our process for making spare parts available enabling us to minimize the downtimes of our fleet customers.

KEEPING CUSTOMERS WELL-INFORMED TO ENSURE SAFE PRODUCT USE

SAF-HOLLAND places high importance on customer training because it not only promotes customer dialog but also contributes significantly to the safe and proper use of our products. We offer two different types of training. Service training includes a beginner and an advanced module and provides all of the important information needed to identify, handle and process service tasks. In our Aftermarket training, we focus primarily on identifying spare parts. Both types of training consist of theoretical and practical modules where we explain the products in an application-oriented manner. Training is held at our newly established SAF-HOLLAND Academy in Aschaffenburg or can also take place on request at the customer's location.

In addition to the personal support provided by our employees, we have introduced two digitally supported tools for communicating and exchanging data with our customers.

- The POD (Parts On Demand) system is our electronic spare parts catalog. This system enables our customers to identify specific spare parts, retrieve information and technical details about spare parts and look at exploded-view drawings. POD also makes it possible to order spare parts online and create an order history that stores previous products orders, which can simplify the process for future orders.
- Our "SAF-HOLLAND Connect" app is a way to connect with fleet operators, repair shops and spare parts dealers. It can be used to scan the QR codes introduced over the past few years on SAF-HOLLAND axles, fifth wheel couplings and landing gear systems and can retrieve the part's technical data in a matter of seconds. Our customers can also register via the new application for repair workshops and parts retailing training and read the latest news feeds.

2.3 PRODUCT QUALITY AND SAFETY ARE A TOP PRIORITY AT SAF-HOLLAND

GRI 416-2

Ensuring the quality and safety of SAF-HOLLAND products is our top priority. We take a holistic approach to quality management along all phases of the value chain – from the design and testing phases to the product's production and use by the customer. We also require our suppliers to comply with strict standards, which we continuously monitor.

Our stated objective is to comply with all of the statutory requirements for the safety of our products, such as regulation UN/ECE R13 for brake systems and UN/ECE R55 for coupling parts for vehicle combinations. An external auditor regularly confirms our adherence to all of the relevant legal approval requirements within the scope of the product conformity assessment.

There were no violations of any legal standards identified in the reporting year concerning the safety of SAF-HOLLAND products. Consequently, we did not receive any warnings and were not required to pay any fines.

QUALITY TESTING STARTING WITH PRODUCT DEVELOPMENT

To ensure the safety of future products already during their development, SAF-HOLLAND uses multi-level processes that build on one another. These processes include, for example, analyses such as D-FMEA (failure mode and effects analysis), virtual FEM simulations (finite element method) and calculations, as well as component and system testing on the test bench and in the vehicle to check the behavior of new and further product developments ahead of the prototype phase. When a developed product passes through these processes successfully, it moves into the qualification phase for its use in the vehicle on the test track. Later, this test is carried out as a controlled field test under lifelike conditions prior to its approval for series production.

The steps of the processes vary depending on the type of task performed by the developed product. Components and, at a later stage, systems are qualified on test benches according to individual load spectra. Our chassis products, for example, undergo their own qualification profiles that take into account both historical loading conditions and loading conditions that have been developed by gathering data from current products in special applications.

SAFETY IN THE MANUFACTURING PROCESS

We control the safety and quality of our products during production using our established quality management system, which includes individually tailored measures at every stage of production. The system is based on internationally recognized norms and standards, such as the ISO 3834 standard for

welding at our Bessenbach site. At every stage of manufacturing, such as welding, coating and assembly, standardized or proprietary tests are carried out, and monitoring mechanisms are applied that ensure the high safety standards of our SAF-HOLLAND products. More than half of our 17 production locations are ISO 9001 certified, and additional location certifications (e. g., of newly added sites) are scheduled.

Standard for certification	Number of certified locations
ISO 9001	10
ISO TS/IATF 16949	7

DURABLE PRODUCTS BASED ON A ZERO-DEFECT STRATEGY

At the beginning of 2016, SAF-HOLLAND launched the zero-defect strategy for 0-km complaints. We set up individual plans for our production sites with the aim of getting as close as possible to the target size of "0 defects." We have implemented the measures in three product phases.

In the product development phase, we optimized the FMEA design and standardized the qualification of certain products and components. In the product manufacturing phase, we introduced measures such as supplier management, the evaluation, and rectification of defects and the safeguarding of safety-critical components. To observe the market, we formed a team of specialists to periodically evaluate the feedback of the service team and use this information to develop measures for product optimization. We also developed measures to improve field defects analysis.

SAF-HOLLAND is working continuously to expand its load spectrum. Based on the measurements of vehicle loads in use, we improve the corresponding qualification requirements of components both on the test bench and in the calculation.

We are currently in the middle of gradually implementing our zero-defect strategy at all of our production sites. Since introducing this strategy, our complaint numbers have been continually falling, confirming the success of our SAF-HOLLAND zero-defect strategy.

2.4 INNOVATIVE AND SUSTAINABLE PRODUCTS REDUCE CO₂ EMISSIONS

Increasing product efficiency has been the key driver behind SAF-HOLLAND's performance. Within the scope of our ongoing product innovation, further development and research projects, our efforts are focused on environmentally friendly technologies and increasing energy efficiency. By far the largest proportion (more than 97 %) of our products' environmental impact arises in the end customer usage phase. This was the result of a life cycle assessment of our SAF Intra Disc Plus II integral axle, which was commissioned by SAF-HOLLAND at TU Darmstadt in 2013 and tested by an external, independent institute. The study found that the greatest environmental impact of the axle system occurs in the usage phase as a result of diesel fuel combustion.

Our aim is to use product design to reduce CO₂ emissions during the usage phase. With the use of lightweight construction in product design, for example, we are helping to reduce fuel consumption and CO₂ emissions. Our customers benefit from the lower total cost of ownership, society through lower environmental influences and we as SAF-HOLLAND through sustainable economic success. This is the reason SAF-HOLLAND builds the lightest quality products available on the market.

In the 2017 reporting year, we were able to contribute sustainable added value to the market through innovative product solutions. The following examples describe products that were either launched in the market in 2017 or achieved a significant increase in unit sales.

SAF TIRE PILOT – INTELLIGENT MEASUREMENT OF TIRE PRESSURE REDUCES FUEL CONSUMPTION

The Tire Pilot is an innovative product for controlling tire pressure, which in turn is important for both fuel consumption and tire wear. The leakage of air over time due to diffusion through the tire carcass is a normal process, which is why the tire pressure must be checked regularly. If the tire pressure is too low, this can lead to higher fuel consumption and often result in tire damage. The SAF Tire Pilot checks the tire pressure much earlier and more precisely than conventional tire pressure systems and automatically inflates deflated tires while the vehicle is driving.

The SAF Tire Pilot extends the tire's mileage, prevents tire failure on the road and preserves the tire carcass for repair. Fuel consumption is also reduced by up to 1.25 % compared to a 10 % underinflation of the tire without the SAF Tire Pilot. This reduces the CO₂ emissions generated during use accordingly and provides economic benefits to the fleet operator, more safety and protects the environment.

SAF ADAPTIVE AIR DAMPING – HYDRAULIC SHOCK ABSORBERS ARE NOW HISTORY

In July 2017, SAF-HOLLAND unveiled the innovative SAF Adaptive Air Damping System. This system combines the functions of the air spring and shock absorber in the chassis of semi-trailers, making hydraulic shock absorbers redundant. As a result, trailers can save around six kilos of weight per axle – which adds up to 18 kilos for a three-axle trailer – and allow higher payloads. With the SAF Adaptive Air Damping System, damping is provided by two air spring valves and a bypass between the rolling bellows and the piston. The higher the axle load, the more air that flows through the valves. The additional friction that results makes damping harder. In contrast to conventional shock absorbers, which always have the same level of damping set for the maximum load, the infinitely adaptive air damping prevents the trailer from over-damping at low or no loads. This means that only minimal excess pressure of 0.5 bar enters the system compared to 5 – 6 bar for a full load and causes damping to soften. As a result, adaptive air damping contributes to increased safety, and because the damping automatically adapts to the load condition, it is especially gentle on tires and cargo.

Further advantages of the adaptive air damping system are the lower maintenance costs, as the system operates virtually maintenance-free. The new system is also environmentally friendly since damping cannot lose any oil. The air damping system was specifically developed for curtainsiders and reefers. Other applications for semi-trailers with high empty or load ratios could follow. The market launch of the new system is scheduled for the third quarter of 2018.

At the 2017 Solutrans Innovation Awards in Lyon in early December 2017, the SAF Adaptive Air Damping System received the gold award, which is the highest accolade in the equipment category. Each year, the Solutrans Innovation Awards, launched in 2011, honor the most innovative solutions in the transportation industry in the categories of Bodywork and Equipment Manufacturers.

SINGLE-POINT AUTOMATIC LUBRICATION PUMP (RECOLUBE) – ENVIRONMENTALLY FRIENDLY DISTRIBUTION OF LUBRICANTS

SAF-Holland's automatic lubrication pump RECOLUBE has been available on the market since the beginning of 2017. Five independent pump elements automatically supply the fifth wheel with grease and deliver via the integrated lubrication manifold the optimum amount directly to the point where lubrication is needed. The grease is distributed over the plate via lubrication grooves. Under normal driving conditions, this happens about every one and a half hours. Only the amount of lubricant actually needed is used, meaning excess oil and

grease do not end up on the road and pollute the environment. The system contains a grease reserve for approximately 100,000 kilometers or one year of operation. An electronic display in the cab of the tractor shows the system's current fill level and allows direct monitoring via the cockpit. When the supply of grease is empty, the pump can be refilled quickly and easily.

The automatic and efficient distribution of high-quality lubricants is not only environmentally friendly but also economically sensible. Additionally, with RECOLUBE it is no longer necessary for the driver or the repair shop to lubricate the fifth wheel manually. The truck manufacturer MAN has been using RECOLUBE as standard equipment on its heavy trucks since January 2017.

HOLLAND ELI-TE™ RETRO FIT KIT— FOR A SECURE CONNECTION BETWEEN THE SEMI-TRAILER AND TRACTOR

An important safety aspect when coupling is ensuring that the semi-trailer is securely connected to the tractor. This requires that the driver check the connection directly at the fifth wheel before departure to make sure that the semi-trailer is correctly coupled. SAF-HOLLAND has developed an automatic system called ELI-te™ (Electronic Lock Indicator – tech-enhanced), in which sensors use an electrical signal to check the correct position of the kingpin and lock when coupling. With the help of a small computer mounted under the fifth wheel, the system signals the driver when there is a secure connection by lighting up four bright LEDs. If the connection is not secure then a red flashing light that can also be seen clearly from the side of the cab warns the driver. This makes a visual inspection much easier for the driver.

SAF-HOLLAND launched the ELI-te™ system in the North American market at the end of 2016. In early 2017, the system received the prestigious HDT Top 20 Products award from Heavy Duty Trucking (HDT) magazine. Each year, this award honors the 20 best product launches in the North American market in terms of innovation and customer value.

Following the system's launch in North America, SAF-HOLLAND is now working on further developing ELI-te™ and transferring the acquired know-how to other applications. The secure connection of the trailer to the tractor, especially in terms of automated coupling, is of crucial importance. SAF-HOLLAND has taken the initial step by setting up a project team to evaluate the ELI-te™ system's application at loading terminals and logistics centers, where coupling is frequently performed.

3. OPERATIONAL ENVIRONMENTAL PROTECTION

As a manufacturing company in the commercial vehicle industry, SAF-HOLLAND views preventive environmental protection as a core element of its responsibility. It is a leading maxim to use energy and raw materials efficiently at all locations worldwide and avoid environmental risks. This is how we create ecological added value through cost-conscious actions.

3.1 SAF-HOLLAND USES ENERGY AND RAW MATERIALS EFFICIENTLY

GRI 302/103, GRI 303/103, GRI 305/103, GRI 306/103, GRI 201-2

PROTECTING THE CLIMATE THROUGH PRODUCT AND PROCESS INNOVATION

As a manufacturing company, SAF-HOLLAND's business activities have an impact on the environment as a result of the products and processes, with the greatest impact arising during the usage phase of the products we manufacture. We see this as an opportunity for developing innovative products with an optimized ecological footprint. In the section entitled Products, we show the success we have already achieved in this area.

We reduce the process-related effects on the environment and climate from administration and production within the scope of our corporate environmental protection activities.

In recent years, we have significantly reduced our use of energy and, indirectly, our greenhouse gas emissions. We have also limited other environmental effects resulting from our business activities. The measures we use range from the efficient use of water, for example, during washing and cooling, to the substitution and elimination of hazardous substances by replacing solvent-based paints in the production area with water-based, cathodic dip coating. Among other things, we also minimize waste.

By conserving and recycling resources, we not only reduce our environmental impact but can cut costs at the same time.

STRATEGY

In 2015, we launched our Group-wide sustainability program "Think Ahead," which we use to continuously translate new ideas for environmental and climate protection and social commitment into concrete projects. Using the Think Ahead website, we report on our plans and projects in the areas of energy, people and the environment. In the year under review, "Think Ahead" was presented with the European Transport Award for Sustainability 2018 of the "Transport" newspaper as an overall entrepreneurial concept.

Complete transparency about our material and energy flows is a necessary prerequisite to be able to improve these flows on an ongoing basis. To ensure this transparency, we implemented a measurement concept specially tailored to SAF-HOLLAND in 2015 that continuously monitors our energy consumption data. This approach enables us to improve the future efficiency of our energy-intensive processes by taking targeted action for optimization. During the reporting period, we expanded the amount of energy consumption data recorded with the aim to gradually include all major production sites in the assessment over time.

Apart from technical improvements, raising the awareness of our employees is especially important. We, therefore, made the topic of energy part of our annual focus for our "My Idea" initiative, the suggestion system used by our German locations. Our employees have actively taken advantage of this option to contribute their own ideas for saving energy. At our US locations, information boards and videos, as well as training and meetings, have been used to raise awareness and communicate environmental issues.

SOLIDLY ESTABLISHED ENVIRONMENTAL MANAGEMENT

In the area of environmental management, we have to observe a large number of nationally applicable laws. Our compliance with government regulations is documented in our process management manual and monitored by site-specific certifications.

We are pursuing targets and taking various actions locally at our sites to reduce our environmental impact. We have added regionally responsible environmental management officers to our HSEQ department.

From our total of 17 locations worldwide, 9 sites were certified in accordance with the ISO 14001 environmental management system standard at the end of the reporting year. So far, the highest certification rate exists in the Americas, where 7 out of 9 sites have been environmentally certified. Our plants in Singen, Germany, and Xiamen, China, have also earned certificates. Our main plants in Bessenbach and our plant in Singen are certified according to the energy management standard ISO 50001. As a result, nearly three-quarters of our production locations use certified management systems. Because of the increasing importance of environmental and energy management certification, our goal is to have further manufacturing locations certified in the years ahead.

Certified management systems

Number	2017	2016
ISO 14001 certified production locations ¹	9	11

¹ Scope: German locations, Americas region. Two plants were closed in 2017 in the Americas region.

3.2. ENERGY: A SIGNIFICANT REDUCTION IN CO₂ EMISSIONS

GRI 302/103

SAF-HOLLAND has already been very successful in improving its energy efficiency and limiting CO₂ emissions based on the ongoing improvements made in its infrastructure and production processes. We would like to see more success in this area. SAF-HOLLAND became a member of the voluntary initiative of the German Federal Government and the German economy to increase energy efficiency, and is following a rolling two-year target system. Every two years, the target for total energy savings is redefined for the subsequent two years. We measure our progress at the German plants using the key indicators of energy consumption per axle manufactured and CO₂ emissions per axle manufactured.

From 2015 to 2017, SAF-HOLLAND reduced total energy consumption per axle at its German production locations by 13.9 %, clearly exceeding its target of 3.9 %.

The target for the year 2018 is to reduce total energy consumption per unit produced in a two-year period by 5.25 % compared to the reference period of 2016. Since energy use is the greatest source of our CO₂ emissions, energy savings always result in a reduction in CO₂ emissions. We reduced our CO₂ emissions per manufactured axle system in 2017 by 16.1 % compared to the reference year 2015.

FURTHER REDUCTION IN ENERGY CONSUMPTION PER AXLE

GRI 302-1, GRI 302-3, GRI 302-4

SAF-HOLLAND's use of energy is driven primarily by the operation of machines in production and the use of natural gas for heat generation. Other sources of energy consumption are extractors, air conditioners and compressors. In the reporting year, we were able to reduce our energy consumption per axle manufactured at our German locations by 4.4 % compared to the prior year.

Energy consumption

in MWh

	2017			2016		
	Group ⁴	Germany	USA / Canada	Group ⁴	Germany	USA / Canada
Total energy consumption	102,136	26,058	76,078	116,212	26,339	89,873
Electricity ¹	45,755	12,095	33,660	46,613	11,597	35,016
Heat	55,586	13,168	42,418	68,710	13,853	54,875
Of which generated with natural gas	53,994	11,576	42,418	66,742	11,885	54,875
Of which external heat	1,593	1,593	0	1,968	1,968	0
Fuel ²	794	794	n.a.	889	889	n.a.
Energy consumption per axle manufactured (in kWh / axle) at the German locations ³	95.6	95.6	n.a.	100.0	100.0	n.a.

¹ Incl. compressed air sourced externally at the Singen location.

² Mainly diesel for factory traffic and pool vehicles.

³ Axles are a relevant product category for the German locations only.

⁴ Scope: Germany, USA and Canada

n.a. not applicable / not available

Total energy consumption fell by 12.1 % year-on-year to 102,136 MWh. About three-quarters of this energy was consumed by our US sites. The key sources of energy throughout the Group remain largely unchanged: natural gas (52.9 %), which is used to generate heat, and electricity (45.0 %). At our location in Singen, Germany, we purchase district heating from a neighboring industrial company. Fuel for plant traffic and pool vehicles, for example, is supplied by an on-site gas station at the Bessenbach location.

The reduction in energy consumption is primarily due to the closure of two of our US locations, which brought down consumption by 15.3 %, while the absolute energy use in Germany fell a mere 1.1 %, despite the elevated production volumes.

Our efforts to conserve energy primarily involve the ongoing transition to more efficient equipment and processes in the areas of lighting, heating and mobility, among others. The continual monitoring and feedback received from our production staff help us to quickly identify and eliminate any energy leaks.

Regional energy management officers and their respective energy teams are responsible for developing energy management plans and monitoring the subsequent progress. Our annual workplace-based employee training was also expanded to include energy issues during the reporting period.

The measures planned by our Energy Team were formulated into an action plan and subsequently followed. In the year under review, 19 strategic measures to increase energy efficiency were successfully implemented targeting around 600 MWh in savings at the German sites. The following lists a few examples of the measures implemented at our main facilities in Bessenbach:

- Turning off machines during production-free periods is expected to conserve a total of 15,000 kWh per year.
- Based on a compressed air campaign and the measures that resulted, we expected energy savings of around 94 MWh.
- From the decommissioning of inefficient machines, we expected a savings of around 63 MWh.

Certain production processes, such as welding / friction welding and cathodic dip painting (KTL) are particularly energy-intensive and therefore offer a significant potential to increase efficiency. In the course of revamping a KTL line in Bessenbach, three heat exchangers are scheduled to be installed in mid-2018 to help the line operate more energy-efficiently.

Further energy-saving measures are scheduled in the years ahead. One example is the construction of a new office building in Bessenbach, to be completed in mid-2019, which will be equipped with an energy-efficient air / heat pump.

SPECIFIC CO₂ EMISSIONS REDUCED FURTHER

GRI 305/103, GRI 305-1, GRI 305-2, GRI 305-4, GRI 305-5

Energy consumption is the greatest source of CO₂ emissions at SAF-HOLLAND. Therefore, our goal to save energy is both a commitment and an approach to achieving an equal reduction in CO₂ emissions at the same time. With 21.3 kg of emissions of CO₂-equivalents per axle manufactured, the specific emission of greenhouse gases from our German locations was slightly below the previous year's level. Since 2014, we have managed to reduce the specific CO₂ emissions per axle system manufactured by 16.1 %.

The cause of CO₂ emissions in production at SAF-HOLLAND is primarily stationary combustion processes, i.e., mainly gas heaters, furnaces and electricity supply. In the reporting year, our US facility in Wylie was faced with the challenge of stricter air quality regulations. With the removal of a wash line, paint line, and curving oven the facility can now more easily meet this stricter air regulations. We also decommissioned two furnaces at our US facility in Holland.

We invest in the latest energy and plant technology and employ energy-saving production processes to help save emissions caused by SAF-HOLLAND's business activities. In order to reduce the emissions from our fleet of vehicles, we replaced two diesel vehicles at our site in Bessenbach with three emission-free electric vehicles in the reporting year. We plan to acquire more electric vehicles as early as this year.

GHG emissions

in tons

	2017			2016		
	Group ¹	Germany	USA / Canada	Group ¹	Germany	USA / Canada
Total direct and indirect CO ₂ emissions (excluding district heating of the Singen location)	34,255	5,740	28,513	37,809	5,660	32,148
Of which CO ₂ emissions from electricity	24,220	3,387	20,833	25,452	3,239	22,213
Total direct CO ₂ -emissions	9,663	1,983	7,680	11,975	2,040	9,935
Of which direct CO ₂ emissions (corporate fleet (excluding private use) + company-owned gas stations)	187	187	n.a.	209	209	n.a.
Total indirect CO ₂ emissions	372	372	n.a.	382	382	n.a.

¹ Scope: Germany, USA and Canada
n.a. not applicable / not available

GHG emissions and energy consumption per axle manufactured ¹

in kg CO ₂ -equivalents / axle manufactured	2017	2016
GHG emission intensity ratio	21.05	21.49

¹ Axles are a relevant product category for the Germany locations only.

3.3. WATER, WASTE WATER AND WASTE: WATER RECYCLING AND A FOCUS ON WASTE PREVENTION

GRI 306/103

At all sites, we strive to make the most efficient use of resources and reuse materials when possible. As a result, we not only help the environment but also save costs. Where reuse of resources is no longer possible, we dispose of our waste and wastewater in a correct and responsible manner.

WATER CONSUMPTION INCREASES DUE TO LEAKAGE

GRI 306/103, GRI 306-1

The SAF-HOLLAND Group's water consumption increased 28.5 % over the prior year to a total of 109,065 liters. Most of this water (83 %) was consumed by our US sites owing to the number of sites there and their production processes. This significant year-on-year increase was also a result of the US due to a defect in the osmosis facility at the Muskegon site, which resulted in higher water consumption. There was also additional water consumption at the newly opened second plant in Dumas, which was operating parallel to the Muskegon location for 10 months.

SAF-HOLLAND is committed to undertaking further measures to reduce water consumption. Already today, storage tanks for washing solutions are used at some locations where washing processes take place. These tanks allow wash solutions to be used multiple times.

Water

	2017			2016		
	Group ³	Germany	USA / Canada ²	Group ³	Germany	USA / Canada ²
Water consumption (m ³)	109,065	18,476	90,589	84,873	16,966	67,907
Water consumption (in liters per axle)	67.8 ¹	67.8	n.a.	71.8 ¹	71.8	n.a.

¹ Axles are a relevant product category for the Germany locations only.

² Excluding the Cincinnati location.

³ Scope: Germany, USA and Canada
n.a. not applicable / not available

WASTE: A CONSISTENTLY HIGH RECYCLING RATIO

GRI 306/103, GRI 306-2

A core element of our zero-defect strategy is to reduce scrap during production. We expect our waste volumes to decline from the continuous application of this approach. To organize our waste management even more effectively, we appointed and trained a Waste Management Officer in 2017. His responsibilities include, for example, the supervision of the disposal of the operational waste from our locations in Germany, which is carried out by external service providers, taking into account all the burden of proof requirements and statutory standards.

The Group's total waste volume increased slightly to 9,159.5 tons versus the prior year. The Group's largest category of waste is metal waste, e. g., in the form of metal shavings, which comprises about 75 % of the total weight. Most of this waste is recycled. In a year-on-year comparison, the recycling ratio remained at almost a constant level despite a significant rise in the production volume. No significant differences were apparent on a regional basis. The volume of waste was comparable in light of the economic growth.

Waste according to type

in tons

	2017			2016		
	Group ²	Germany	USA / Canada	Group ²	Germany	USA / Canada
Total waste	9,159.5	4,621.1	4,538.4	8,871.8	4,482.0	4,389.8
Metal waste	6,884.1	3,478.3	3,405.8	6,656.1	3,190.9	3,465.2
Wood waste	547.7	547.7	n.v.	683.8	683.8	n.a.
Other	1,439.7	533.7	906.0	1,238.6	607.3	631.3
Oils and emulsions	288.1	61.4	226.7	356.1	62.8	293.3
In m³						
Waste water	94,825	18,476	76,349 ¹	80,693	16,966	63,727 ¹

¹ Excluding the Cincinnati location.² Scope: Germany, USA and Canada

n.a. not applicable / not available

Waste according to recycling / disposal method

in tons

	2017			2016		
	Group ¹	Germany	USA / Canada	Group ¹	Germany	USA / Canada
Total waste	9,159.5	4,621.1	4,538.4	8,871.8	4,482.0	4,389.8
Recycling	8,259.1	4,552.0	3,707.1	8,087.1	4,497.0	3,590.1
Thermal recycling (combustion)	42	42	0	88	88	0
Landfill	858	27	831.3	815	15	799.7

¹ Scope: Germany, USA and Canada**Hazardous and non-hazardous waste**

in tons

	2017			2016		
	Group ¹	Germany	USA / Canada	Group ¹	Germany	USA / Canada
Total waste	9,159.5	4,621.1	4,538.4	8,871.8	4,482.0	4,389.8
Non-hazardous waste	9,113.5	4,598.1	4,515.4	8,822.6	4,457.0	4,365.6
Hazardous waste	46	23	23	49	25	24

¹ Scope: Germany, USA and Canada

In addition to reducing the amount of scrap in production, we also strive to avoid waste in packaging. Our stated objective is the modification of disposable packaging and the broader use of reusable packaging. In the reporting year, we conducted workshops to analyze waste generation and identify reduction measures.

We already utilize reusable packaging successfully in logistics for transporting our products and components in the form of plastic reusable dunnage and wire baskets. In addition, at our US sites, we recycle materials such as aerosols and lubricants.

RESPONSIBLE HANDLING OF HAZARDOUS SUBSTANCES

GRI 306-3

Although SAF-HOLLAND strives to replace hazardous substances for humans and the environment during production with less hazardous substances, this is not always possible. In the area of surface coating, for example, we work with acids and alkalis. Such substances are used responsibly and disposed of according to their risk of harmfulness, for example, by using potentially hazardous substances in closed systems and making employees regularly aware of the dangers. There were no reportable environmental incidents or contamination in the scope of our business in the reporting year.

4. EMPLOYEES

Every employee makes an important contribution to SAF-HOLLAND's success. In keeping with our value-based corporate culture, we support cultural diversity, advance our employees through needs-based education and training and provide a safe working environment. This attitude enables us to retain specialists and managers over the long term. These are the best prerequisites for a successful future.

4.1 EMPLOYEES ARE THE SAF-HOLLAND GROUP'S MOST IMPORTANT RESOURCE

GRI 401/103, GRI 102-7, GRI 102-8, GRI 102-10, GRI 102-41, GRI 401-1

Dedicated and competent employees are SAF-HOLLAND's most important resource. They bring innovation, keep the Company competitive and secure our long-term success. The challenges in human resources work are the shortage of skilled workers in the automotive industry, demographic change, digitization and the further internationalization of the SAF-HOLLAND Group. We focus on building a solid workforce and acquiring the necessary qualified specialists. The health and safety of our employees are very important to us. Employer branding is intended to increase our appeal as an employer. To enhance our employer image in the respective regions, we offer employees a broad range of support along with sound training and further development, performance-based remuneration and special benefits. A specific focus was also placed on the digitization of our HR processes in the 2017 reporting year.

SAF-HOLLAND's corporate culture is characterized by cultural diversity and flat hierarchies. The open and continuous exchange of information – even beyond hierarchies – corresponds to our concept of fairness. Our corporate culture is of great importance, especially in view of the dynamic envi-

ronment and the internationality of the Group's employees. We also promote internal communication with our employee magazine "Insights" and our regular webcast "News from the Board – Current issues from the Management Board." In addition, employees are informed via email or through publications on our corporate intranet site. Having the choice of different mediums of communication enables us to notify the workforce of any current developments right away. Our corporate culture and our understanding of leadership are documented in our employee handbook, which is received by every employee when they begin their career at SAF-HOLLAND.

SHARP INCREASE IN EMPLOYEE NUMBERS

Due to increasing production volumes, we expanded our workforce in the 2017 reporting year, including at our new production location in Düzce, Turkey, which commenced operations in March 2017. As of December 31, 2017, the SAF-HOLLAND Group employed 3,566 people worldwide, including contract workers. This number corresponds to an increase in the year of 4.1 %. A total of 3,340 of these people are permanent employees of SAF-HOLLAND. In the 2017 financial year, SAF-HOLLAND hired 100 new employees for its German locations, representing a year-on-year increase of approx. 50 %.

In 2017, for the purpose of risk management, we augmented our permanent employee base with part-time staff and contract workers in order to ensure our competitiveness, react spontaneously to market developments and be able to offset cyclical fluctuations in demand. In the reporting year, 226 contract workers supported SAF-HOLLAND. In relation to all employees working for SAF-HOLLAND, this corresponds to a contract worker rate of 6.3 %. In many cases, temporary employees, part-time and contract workers transition into permanent employment.

Key workforce figures

Headcount ¹ /percent as of Dec. 31, 2017

	FY 2017	FY 2016
Employees	3,340	3,242
Thereof women	482	454
Thereof men	2,858	2,788
Type of employment		
Full-time	3,293	3,163
Part-time ²	47	79
Type of employment contract in %		
Permanent employment contracts	93.2 %	94.3 %
Temporary employment contracts	6.8 %	5.7 %
Age group in %		
Younger than 30 years	18.4 %	15.2 %
30 to 50 years	53.9 %	53.7 %
Older than 50 years	27.8 %	31.1 %
By region		
Americas	1,545	1,506
EMEA / I	1,312	1,235
APAC / China	483	501
Employees covered by collective bargaining agreements in % ³	94.2 %	93.6 %
Number of employees with severe disability	80	63

¹ Excluding contract workers² Lower-than-average number of hours for full-time employees in the respective country (e. g., 35- hour workweek in Germany, 40-hour workweek in the US.)³ Only German locations. Does not include non-collective pay employees.

Demand for SAF-HOLLAND products increased in the US during the course of 2017. Coping with the high volumes of production combined with the US plant consolidation made it temporarily necessary to employ a significantly higher number of people than planned. This is also reflected in the significantly higher level of employee turnover at our international locations of 26.5 % in the 2017 reporting year, which has increased as a result of the difficult search for suitable employees. Following completion of the US plant consolidation, the SAF-HOLLAND Group expects the North American fluctuation rate to normalize and approach the Group's long-term average of less than 10 % (previous year: 8.6 %).

The average length of service of 6.5 years at the international level and the long average tenure of 13.6 years at our German locations clearly demonstrate the level of satisfaction of our employees and their degree of identification with the SAF-HOLLAND Group. The workforce became slightly younger in the 2017 reporting year, with the average age of employees declining to 38.2 years (previous year: 40.3).

4.2 SAF-HOLLAND IS AN ATTRACTIVE EMPLOYER WITH A STRONG EMPLOYER BRAND

GRI 401/103, GRI 402/103, GRI 405/103, GRI 401-2, GRI 401-3, GRI 405-1, GRI 405-2

SAF-HOLLAND is a global group. SAF-HOLLAND strives to win new employees and retain them for the long-term, despite a shortage of skilled workers. We use social media to target young professionals while, at the same time, positioning SAF-HOLLAND as an attractive employer in the automotive industry.

In the 2017 reporting year, the focus was on the digitization of our human resources activities with a special focus on modernizing our processes. Among other things, SAF-HOLLAND worked on introducing new human capital management software with self-service elements, providing employees with new channels of digital communication, simplifying the administrative processes and accelerating the processing of employee requests. The new software was tested extensively in a pilot department and will be rolled out Group-wide in the first half of 2018.

An important goal of our human resources is to increase employee satisfaction. To achieve this goal, we are expanding our range of special benefits and offering an employee discount program in Germany. Benefits of this program include, for example, discounted memberships to fitness studios and special conditions at well-known retailers and online shops.

In December 2017, we laid the foundation for a new administration building at our location in Bessenbach. SAF-HOLLAND is using modern architecture and energy-efficient construction – concepts that will carry on into the building’s interior. Open office spaces with glass walls, a sound-insulated air-conditioning system as well as wall components with an acoustic effect create a work atmosphere that is as appealing as it is efficient.

The building will be constructed completely barrier-free. The current requirements of the Energy Saving Ordinance (EnEV) will be fully implemented. State-of-the-art LED lighting, daylight controls and heat pumps as the main component of the heating system are examples of how energy efficiency is also a decisive aspect during the entire planning and implementation phases.

SAF-HOLLAND INVOLVES EMPLOYEES

We measure the satisfaction of our employees by conducting employee surveys. All employees at our locations in Germany, the United States and China were last interviewed in 2016. With approximately 3,000 employees, we achieved a participation quota of around 60 %. The results of the survey were positive overall. Generally, employees showed a high level of satisfaction, a strong bond with the SAF-HOLLAND Group and strong identification with their jobs and the Company’s values. Especially our female employees showed an above-average level of satisfaction. Areas for potential improvement included, among others, the workspace design and meal times. We gladly accepted this honest feedback and, in response, we expanded our meal times to include the late and night shifts.

Since 2015, employees have been able to use the idea management initiative “My Idea” to make suggestions for improving processes, products and sustainability. The procedure is clearly structured with proposals without verifiable financial savings (for example, to improve occupational safety) assessed directly by the responsible manager and, if necessary, implemented. Ideas with a measurable contribution to earnings are examined by an ideas committee. This committee also decides on the bonus the employee should receive as a reward for the idea’s successful implementation. Since 2017, proposals for “My Idea” can also be submitted and tracked digitally.

In order to encourage employees to participate in the “My Idea” initiative, the Human Resources department sponsors an annual campaign with a changing focus. In 2017, the focus was on energy savings. Special prizes, for example, for the most active department, also increase the employees’ incentive to participate. In total, 276 suggestions for improvement were submitted to our German locations. Of these, 47 suggestions have already been successfully implemented. The rate of ideas implemented has increased by roughly 85 % since the prior year.

“My Idea” was also launched outside of our German locations, at our locations in China. An extension of “My Idea” to our production sites in the Americas is already in the pipeline.

SAF-HOLLAND IS CHARACTERIZED BY CULTURAL DIVERSITY

Cultural diversity is an important issue to SAF-HOLLAND given its international locations and presence in global markets. We firmly believe that heterogeneity in the workforce offers a host of ideas and opportunities. We therefore attach great importance to the effective cooperation and exchange of information between culturally diverse people. Examples of our support for diversity include an employee value assessment as well as an employee peer assessment, which does not depend on criteria such as age, gender, nationality, ethnic origin, educational background or disability. This approach continues to be very important especially against the background of our 2020 growth strategy.

Diversity was also considered in the composition of the Management Board and the Board of Directors. This is also the recommended approach in the German Corporate Governance Code.

To promote a corporate culture enriched by diversity, we have implemented the following measures:

- Trainees at our German locations visit two-week workshops for people with disabilities in Schmerlenbach, Germany. Here they learn how to further develop the social skills for interacting with the severely handicapped.
- An international trainee program launched in 2017, in which university graduates can work at different international SAF-HOLLAND Group locations to strengthen the intercultural skills of both the trainees and local co-workers at the respective locations.
- Executives take part in our multi-culture workforce training, which is part of our employee development program.

Our talent management is committed to recognizing the potential of female employees and to promoting and developing them within the Company. When filling management positions, we use the 30 % women's quota required on supervisory boards in Germany as our guideline, and we increasingly focus on qualified women for new appointments.

When composing our Management Board, the professional qualifications for the area of responsibility to be assumed, as well as proven leadership experience, past achievements and demonstrated knowledge are the decisive criteria. In the case of new appointments, we also take into account diversity criteria such as different, mutually complementary profiles and knowledge of different cultures. In the 2017 financial year, we specifically approached women in our search for a new CFO. We ultimately chose a male candidate, Dr. Matthias Heiden, due to his extensive experience and digitization background.

Composition of the Board of Directors

	FY 2017	FY 2016
Women	33 %	33 %
Men	67 %	67 %
Number of employees in management positions	108	106
Thereof women	5 %	6 %
Thereof men	95 %	94 %

EQUAL WORK FOR EQUAL PAY

The remuneration of SAF-HOLLAND employees worldwide is both market- and performance-oriented. It is instinctive for us to treat male and female employees equally and to base their remuneration solely on their respective tasks and personal performance. In consideration of the German Pay Transparency Act, SAF-HOLLAND in Germany evaluated the classification of men and women in jobs of equal value in the pay groups defined by the tariff agreement of the Bavarian Metal and Electrical Industry during the reporting year. The Company also examined the remuneration components and respective amounts of remuneration. The results of the review did not show any significant differences in the pay of men and women and, only in individual cases, were different classifications determined based on professional experience and length of service. Based on the results of this review, timelines have been defined for future promotions.

Remuneration at our German locations is based on a collective pay agreement, while in the United States remuneration is based on an agreement with the trade union. In the reporting year, we also introduced a new variable remuneration model that better rewards our employees for their performance.

The selection criteria for the composition of the Board of Directors augments the criteria for the Management Board in that at least two women should be appointed to the Board of Directors, the general age limit for members is 70, and time served on the Board is limited to 12 years.

In 2017, with a 33 % share of female executives on the Board of Directors, we exceeded our target of 30 %. At the second and third management levels, we are striving for a female quota of 12.5 % at our German locations by mid-2022. Due to the low availability of qualified female candidates in the commercial vehicle sector and the lower proportion of women earning technical degrees, with a quota of 4.6 %, we were unable to reach our targeted female quota of 9 % at director level by mid-2017.

Our employees also receive attractive special benefits in addition to their remuneration. For example, we offer a company pension plan, as well as occupational disability insurance via the MetallRente pension scheme. Because the health of our employees is important to us, we also offer other related services (see 4.4. Employee health and safety are an important priority for SAF-HOLLAND). Location-dependent employee discounts and advantages through collaborations complete our extensive offer of added benefits.

In order to promote a good work-life balance at our German locations and enable our employees to better harmonize their current stage in life with their profession, we offer part-time jobs, the ability to set up a home office, as well as various other options for taking leave from work, such as taking time to care for relatives or taking a sabbatical. For our employees with small children, we have a contingent of kindergarten places available at our location in Bessenbach, as well as subsidize places at other nurseries and kindergartens.

In 2017, 41 of our worldwide employees – of which almost one-third were women – took advantage of their parental leave options.

Parental leave

	FY 2017	FY 2016
Employees taking parental leave	41	32
Thereof women	12	11
Thereof men	29	21
Returned to work following parental leave	29	20
Thereof women	1	3
Thereof men	28	17
Employees whose parental leave extended beyond the reporting year	11	11
Employees who left the company after the end of parental leave	1	1

4.3 SAF-HOLLAND PROVIDES EXCELLENT TRAINING AND PROMOTES EMPLOYEE DEVELOPMENT

GRI 404/103, 404-1, 404-2, 404-3

TRAINING AND PROFESSIONAL DEVELOPMENT ENSURE THAT SAF-HOLLAND MAINTAINS A HIGHLY QUALIFIED WORKFORCE

SAF-HOLLAND sees the training and further education of qualified specialists as an investment in the future of the Company and society. Our aim is to increase our ability to innovate, to develop competent specialists and to cultivate their loyalty to the SAF-HOLLAND Group. This will strengthen our reputation as an attractive employer, both within and outside the Company, and is one way to counteract the shortage of skilled workers and demographic change. We will continue to ensure that we maintain a highly qualified workforce in the future by providing our employees with training and professional development and promoting their special skill and abilities.

Our training programs give our employees an opportunity to develop themselves both personally and professionally. Qualifying and further developing young people through training programs, dual study programs, and trainee programs are basic components of our work in human resources. It is our goal to develop as many skilled employees as possible from our own workforce. Our high level of training helps to ensure our independence from the external labor market.

TARGETED TRAINING OF SPECIALISTS

SAF-HOLLAND offers young, motivated people the chance to qualify themselves for the future. As a manufacturing company, we focus on training our specialists for technical careers, including those in the areas of electrical and mechanical engineering. Our aim is to provide needs-oriented and future-oriented training.

Trainees from SAF-HOLLAND are often awarded prizes, which demonstrates the high quality of our training. Our training programs are designed to provide both professional and interdisciplinary skills and knowledge in order to further trainees' own personal development. Our training focuses on assuming responsibility and performing practical tasks and includes the use of state-of-the-art technologies, becoming familiar with various types of project management, learning to independently carry out smaller projects and how to work in a team. The training of young employees is supported by experienced and committed trainers. Our values of innovation, cost awareness, reliability, respect, open and honest communication and enjoying successful teamwork play an important role in training.

Focus Money magazine honored "Germany's Best Training Companies" as part of the study entitled "Vocational Training 2018." In order to assess training quality, the aspects of structural data, training success, training compensation, training quota and additional offers for trainees were assessed according to sector. SAF-HOLLAND received the award "Germany's Best Training Companies" for the automotive supply industry.

As of December 31, 2017, we employed 51 trainees at our German locations with the goal to become industrial mechanics, industrial clerks and technical product designers. When needed, we also offer dual study places in the fields of mechanical engineering, electrical engineering and business administration. As of December 31, 2017, we employed a mix of 10 interns and work students at our German locations.

We established an international trainee program in 2017 to help attract talented junior staff and promote their training. The Group-wide, international program lasts 18 months and consists of both work and project stations. These are tailored to the needs of the individual areas. We fully educate

our trainees in their chosen field of study and prepare them for a permanent position at SAF-HOLLAND. A total of 6 graduates Group-wide received their qualifications within the scope of the trainee program.

Education and training¹

	FY 2017	FY 2016
Training quota (year-end)	4.7 %	4.5 %
Interns and undergraduate students (year-end)	10	8
Number of training seminars	625	555
Trained employees	364	371
Average training expenditure per employee in EUR	687	674

¹ German locations only.

SAF-HOLLAND SUPPORTS INDIVIDUAL PROFESSIONAL DEVELOPMENT

In addition to vocational training, we offer employees a wide range of continuing and further education opportunities. This training is independent of the respective career level. In the 2017 financial year, 364 employees took part in 625 training seminars held at our German locations.

All employees have an employee appraisal meeting with their manager at least once annually. These meetings are an opportunity to exchange information about the current work situation, existing needs, and mutually agree on the employee's performance and development potential. It is also the occasion to discuss tasks, goals and further development activities for the coming year. To help determine the specific employee's need for professional development, the manager responsible creates a personal qualification matrix for the individual employee. This matrix documents the actual and target level for the professional qualification of each employee and is used to determine further education needs. The matrix is updated at regular intervals and as tasks and responsibilities are added or changed. With a special personnel development program, we focus on promoting managers and specialists who have high development

potential. The one-year program is individually tailored to the strengths and career goals of each participant and promotes the further development of the participant's methodical, professional and personal competencies. An understanding of management responsibilities and individual skills are taught in the context of true-life projects. The participants in the program are looked after by an employee from the human resources department. In 2017, 12 employees took part in this program.

The further education of our employees is made possible by a budget specifically for training that is set annually on the basis of past years' empirical values. The training budget of our German locations was EUR 250,000 each year for the past two years. At our German locations, this budget is managed centrally by the Human Resources department. The budget for our international locations is managed decentral-ly by the respective managers of the individual departments.

Outlook

To be able to organize training even more effectively in the future, we introduced new learning management software in the US in April 2017. We also intend to introduce this software at our German locations in the first half of 2018.

To be able to organize future training even more effectively, we plan to introduce a new digital learning management system at our German locations at the beginning of 2018. We will also introduce talent management in the 2018 financial year so that we can recognize the skills of executives and non-tariff employees and fill demanding positions internally in the future.

4.4 EMPLOYEE HEALTH AND SAFETY ARE AN IMPORTANT PRIORITY FOR SAF-HOLLAND

GRI 403/103, GRI 403-1, GRI 403-2, GRI 403-3

SAF-HOLLAND tries to set safety standards at a level high enough that occupational accidents can be ruled out almost entirely. The Company has established a robust management system to achieve this “Vision Zero” goal. The topics of occupational safety and health protection are professionally and deliberately monitored by the Health, Safety, Environment and Quality (HSEQ) department. The Vice President HSEQ reports directly to the management. Depending on the location, he is supported by occupational safety specialists, as well as safety officers. Current safety issues are regularly discussed by the Occupational Health and Safety Committee (ASA), which consists of employer and employee representatives and puts the necessary corrective measures in place.

SAF-HOLLAND CONTINUES TO INCREASE THE LEVEL OF OCCUPATIONAL SAFETY

SAF-HOLLAND conducts regular risk assessments, site inspections and risk analyses to determine which activities

expose employees to higher health risks. Knowing about potential risks enables us to eliminate sources of danger or, where this is not possible, to reduce the danger to a lower risk level through specific actions.

Through the SAF-HOLLAND Learning Management System, all employees receive regular training on occupational health and safety. In the 2017 financial year, a focus was placed on the prevention of finger and hand injuries. Through posters, email messages and lectures on the subject, we raised employee awareness about possible risks and accidents. Through targeted instruction at the workplace, our managers ensure that the subject of occupational safety is present day-to-day.

We monitor how effective our involvement is based on selected accident statistics. In 2017, 30 occupational accidents occurred that were followed by downtime. The frequency of accidents – measured by the internationally standardized incident rate – fell slightly to 4.26. In 2017, there were no fatal accidents throughout the Group. The average absence due to accident-related downtimes at our German locations decreased slightly year-on-year in the 2017 financial year to 0.36 days per employee.

Despite the improvements made during the reporting period, we continue to work toward our goal of zero work-related accidents.

Key figures for occupational safety at German locations ¹

	FY 2017	FY 2016
Number of LTI (Lost Time Injuries) ²	30	34
Incident Rate ³	4.26	4.79
Severity of accidents (Lost Day Rate) ⁴	55.2	53.9
Work-related deaths	0	0
Accident-related days of absence per employee ⁵	0.36	0.37

¹ Figures exclude contract workers.

² Lost Time Injuries: Number of occupational accidents with at least one day of absence

³ Incident Rate: number of occupational accidents with subsequent days lost in relation to hours worked

⁴ Lost Day Rate: Number of days lost in relation to hours worked

⁵ Average number of lost days due to accidents per employee (headcount)

**SAF-HOLLAND PLACES HIGH IMPORTANCE
ON PROTECTING THE HEALTH OF ITS EMPLOYEES**

Maintaining the long-term health of our employees is a central concern of SAF-HOLLAND. In view of the aging society, this issue is becoming increasingly important. Maintaining employee health is not only in the interest of each employee but also benefits the Company in terms of fewer absences. In the 2017 financial year, our focus in the area of employee health was on promoting employees' physical activity and strengthening their mental health.

To help maintain their physical health, we offer employees advice on ergonomic working methods as well as subsidies for eyewear and earmuffs for use in the workplace. Water dispensers and free fruit baskets such as "apple baskets" help our employees maintain a healthy diet while they work. To promote the health of our employees outside of the workplace, we offer special discounts for gym memberships and finance bicycles for private use and commuting to work. As part of our medical support, our employees can take advantage of vaccines and special preventive checkups.

In order to counteract mental stress in the workplace, we identify the causes and use palliative and preventive measures in consultation with those affected. We introduced a management seminar in the 2017 reporting year specifically dealing with this topic in order to be able to identify and eliminate psychological stress at an earlier stage in the future. We try to prevent physical and psychological stress and encourage open-mindedness by hosting seminars about these topics.

In the 2017 reporting year, we held health fairs at our sites in the US and China where, among other things, our employees were able to take advantage of free preventive health check-ups and attend lectures by health professionals on a variety of health topics.

We continue to take part in various sports events and competitions as a Company, such as the HypoVereinsbank Citylauf in Aschaffenburg. Preparing together for these events is not only fun for the employees but also increases team spirit.

5. SOCIAL COMMITMENT

The SAF-HOLLAND Group sees itself as an active member of society that also plays a role in shaping the social environment. At SAF-HOLLAND, we uphold our responsibility for people and the environment by supporting a wide range of social and ecological projects, both in the regions where we are located, as well as in other regions. A responsible coexistence based on values, commitments and goals is firmly anchored in the corporate philosophy of the SAF-HOLLAND Group.

5.1 AT SAF-HOLLAND, “IT’S THE ‘WE’ THAT COUNTS”

GRI 415, GRI-103; GRI 415-1

Assuming social responsibility is in line with our values and identity as a global corporation. We believe we have an important responsibility toward those who work for us or live near our locations. This is the reason why we are also a large supporter of local charitable projects.

At SAF-HOLLAND, social commitment is a high priority Group-wide. The projects we are involved in and the actions we take are based on proposals received from our employees. All employees at SAF-HOLLAND are given an opportunity to submit their own project suggestions. This is one reason why the projects we sponsor are so diverse and dedicated to a variety of local causes. SAF-HOLLAND lends its support through gifts and donations, by volunteering, promoting educational campaigns and offering internships at several different locations.

The “Think Ahead” campaign, launched in 2015, is now an integral part of the Group-wide sustainability concept comprising the three pillars of “People,” “Energy” and “Environment.” As part of this campaign, SAF-HOLLAND has sponsored tree planting initiatives in cooperation with the well-known environmental organization “Plant for the Planet.” Children and adolescents have also been invited to take part in workshops explaining the effects of climate change. Other “Think Ahead” initiatives promote employee health and support local social projects at the Group’s various international locations.

On November 30, 2017, SAF-HOLLAND was honored with the 2018 European Transport Award for Sustainability in Munich in the category “Overall Entrepreneurial Concept” for its “Think Ahead” sustainability program. The trade magazine “Transport” presented this award for the fourth time to recognize outstanding sustainable performance within the commercial vehicle industry. The winners were selected by a renowned jury of independent experts from business, science, associations and the media.

Social commitment at SAF-HOLLAND covers a large spectrum. By selecting local projects, the Group places its focus on the various regional priorities. At our US locations, for example, social involvement in the local community often takes center stage. We also focus on other issues, depending on current developments or challenges faced by society. One example is our focus on work with refugees in Germany in 2017.

As a rule, SAF-HOLLAND does not lend its support to political parties or politically motivated organizations or politicians.

5.2 PROJECT HIGHLIGHTS IN THE 2017 FINANCIAL YEAR

In the 2017 financial year, SAF-HOLLAND supported a very diverse range of 17 projects. The following are some examples of the projects the company was involved in during the year:

SUPPORT FOR REFUGEES: SAF-HOLLAND’S EFFORTS FOR INTEGRATION THROUGH WORK AND TRAINING

SAF-HOLLAND would like to make it easier for migrants to adjust to life in Germany. SAF-HOLLAND works with relief organizations that are focused on helping refugees. At our German locations, we offer factory tours and introductory internships to refugees to give them an insight into the Company and the professional opportunities our industry offers. As part of the Bavarian initiative “Integration Through Work and Training,” SAF-HOLLAND received an award for its involvement and for its participation in the seminar “Operational Integration of Refugees” from the Bavarian State Ministry of Economic Affairs, Media, Energy and Technology and the Bavarian Chamber of Commerce and Industry. SAF-HOLLAND will continue its commitment to refugees in 2018.

“STOP TALKING. START PLANTING.” – CLIMATE CHANGE IS A CORE ENVIRONMENTAL ISSUE AT SAF-HOLLAND

Under the motto “Stop talking. Start planting,” SAF-HOLLAND sponsors tree planting activities in cooperation with the well-known environmental organization Plant for the Planet Foundation, whose aim is to draw attention to climate change and global environmental problems, among others. In addition, academies are held on action days where qualified children and young people – known as “climate ambassadors” – teach their peers about the connection between ecological developments and climate change in the context of workshops.

“Plant for the Planet” is a children’s and youth initiative whose aim is to raise the awareness of children and adults of global justice and climate change. Founded in 2007, the Plant for the Planet organization works actively to combat the global greenhouse gas emissions that are driving climate change by sponsoring tree planting activities worldwide, as well as by hosting climate academies for children and adolescents where they develop concepts together and share their message with others. The goal is to excite and motivate as many children and adolescents as possible about taking action for their future. Today, Plant for the Planet has more than 67,000 children and adolescents who act as ambassadors for climate justice.

SAF-HOLLAND supports the Plant for the Planet Foundation through donations. In 2017, a total of 80 local students between the ages of 8 and 14 enthusiastically participated in a two-day campaign and were excited to be able to make a personal contribution to global climate justice. A total of about 250 trees were also planted with the friendly support of the Bessenbach community. SAF-HOLLAND is an active contributor to the Foundation’s sustainability target of planting one trillion trees worldwide by the year 2020.

There are more Plant for the Planet academies scheduled in 2018. The dates and registration information for these academies can be found on the SAF-HOLLAND homepage under “Think Ahead.”

THE “BE GREAT: GRADUATE” PROGRAM: SAF-HOLLAND ENCOURAGES CHILDREN AND ADOLESCENTS TO FINISH THEIR EDUCATION

Every year, approx. 1.2 million students in the United States drop out of high school. To support the academic achievement of children and adolescents, SAF-HOLLAND donates both funds and volunteers to the “BE GREAT: Graduate” program sponsored by the Boys & Girls Club of the Muskegon Lakeshore, Michigan. Although children and adolescents need to take personal responsibility for their academic success, parents, the social environment and the schools themselves, also play a crucial role. The grassroots organization “BE GREAT: Graduate” assists families in their efforts to prevent dropouts. Dedicated mentors can help to identify possible difficulties and warnings for students at an early stage. By identifying students at risk at an early stage, the appropriate assistance and solutions can be offered to help these students graduate. Mentors support the students and accompany them in their social and family surroundings in order to pave the way for the environment and appreciation for a solid education.

THE “WE LOVE READING” BOOK DONATION PROGRAM: SAF-HOLLAND PROMOTES READING FOR SCHOOLCHILDREN

The SAF-HOLLAND CSR team is working with local charity committees on education near our US facility in Warrenton, Missouri. SAF-HOLLAND’s CSR team has donated 1,600 books to Warren Country R III School students as part of the “Summer Reading Program.” The aim of this program is to provide preschool and primary school students with exciting books to encourage them to read. Under the motto “Reading is fun, even during summer vacation!” a special summer reading bag was filled with a workbook, flashcards and three books adapted to the child’s respective reading level. At the end of the Summer Reading Program, the children who participated celebrated with a barbecue at Binkley Park hosted by SAF-HOLLAND employees, making reading even more fun!

**SUSTENANCE FOR SCHOOL CHILDREN:
SAF-HOLLAND DONATES TO THE FOODBANK**

One in five children in the Greater Cincinnati area go without regular meals. A total of around 94,000 children urgently need basic support. SAF-HOLLAND's CSR team recognized the plight of these children and immediately donated \$12,000 to the Freestore Foodbank, a non-profit aid organization. On weekends, when school cafeterias are closed, this organization provides food to children in need.

A healthy, balanced and, above all, adequate diet is essential for children, helping them to concentrate and readily absorb knowledge. SAF-HOLLAND's donations make it possible for each pupil at two US elementary schools to receive a "power pack," which is a backpack filled with selected food and other necessities such as hygiene products and school supplies. Through its donations, SAF-HOLLAND is providing school children with the sustenance they need for a successful education.

TRUCK DRIVER SAFETY: A PRIORITY AT SAF-HOLLAND

Driver fatigue can have a fatal ending. At SAF-HOLLAND, the safety of truck drivers is a priority, which is why SAF-HOLLAND Poland supports the professional driver foundation "Truckers-

life Foundation" by providing modern outdoor fitness facilities for truck drivers. Drivers can use these facilities to strengthen muscles that can weaken from long hours of sitting.

**CHARITABLE DONATIONS: SAF-HOLLAND EMPLOYEES
DONATE PENNIES FOR A GOOD CAUSE**

SAF-HOLLAND is working together with the sponsoring committee for the children's clinic in Aschaffenburg to make hospital stays for little patients and their parents as pleasant as possible.

A few cents a month from many individuals can add up to a sizable contribution. This long-term campaign enables SAF-HOLLAND employees to round down their respective net monthly salary and voluntarily donate the excess cents. Employees at the Bessenbach and Singen locations can donate up to 99 cents a month to a good cause, without bureaucracy, to ensure that the money directly reaches those who need it. Employee support for this program has been phenomenal with roughly 300 SAF-HOLLAND employees taking part in this regional fundraising campaign in 2017. By the end of the year, the children's clinic had already received donations totaling 1,000 euros from SAF-HOLLAND employees.

Selected projects in the EMEA / I region in the 2017 financial year

No.	Name	Description
1	More fitness and safety at the wheel	SAF-HOLLAND Poland supports the Truckerslife Foundation by providing modern outdoor fitness facilities.
2	Stop Talking. Start Planting.	SAF-HOLLAND GmbH supports the "Plant for the Planet" Foundation with tree planting campaigns and the financing of climate academies for children and spent approx. EUR 24,000 in these activities in 2017.
3	Integration through work and training	SAF-HOLLAND GmbH helps refugees to facilitate their integration.
4	Pennies for a good cause	Employees of SAF-HOLLAND GmbH round down their net salaries and donate the resulting pennies to the children's clinic in Aschaffenburg.
5	One team – one goal	The SAF-HOLLAND "Activ-Team" participated in the HVB City Run in Aschaffenburg.
6	Charity soccer tournament	SAF-HOLLAND GmbH supports the family of a boy suffering from SMA through a donation and the participation of a team of SAF-HOLLAND trainees in a charity soccer tournament.
7	Showing commitment	Employees of SAF-HOLLAND GmbH offer their support by donating to SAF Director Maik Bartelt's private association, Furaha Phönix Kinderhaus, in Kenya.

Selected projects in the Americas region in the 2017 financial year

No.	Name	Description
1	Scholarships	SAF-HOLLAND Inc. awards four scholarships to staff family members and five scholarships to students in Dumas, Arkansas.
2	"BE GREAT: Graduate" program	SAF-HOLLAND Inc. supports the "BE GREAT: Graduate" program sponsored by the Boys & Girls Club of the Muskegon Lakeshore, Michigan, to prevent school dropouts.
3	We love reading	SAF-HOLLAND donates 1,600 books to preschoolers and primary school children for a summer reading program held at its site in Warrenton, Missouri.
4	Care to Learn Program	SAF-HOLLAND Inc. provides cash and in-kind donations, such as school supplies, new eyeglasses, hearing aids and bus tickets to students at the Warrenton, Missouri site.
5	Community school project	SAF-HOLLAND Inc. donates to reading projects for students near its location in Holland, Michigan.
6	Freestore Foodbank in Cincinnati	SAF-HOLLAND Inc. donates to the Freestore Foodbank in Cincinnati, Ohio, providing weekend meals to local children.
7	School meals	SAF-HOLLAND Inc. helps finance school lunches at all schools surrounding its US locations.
8	Welding program	SAF-HOLLAND Inc. donates welding tools and metal for training purposes with certified welders from SAF-HOLLAND's location in Wylie, Texas, teaching the relevant skills.
9	Bus stops	SAF-HOLLAND Inc. sponsors bus stops.
10	SAF-HOLLAND supports the Wyakin Foundation	SAF-HOLLAND Inc. supports the Wyakin Foundation with a donation to make it easier for veterans to re-establish themselves in society.
11	Community school project	SAF-HOLLAND Inc. makes a donation to help renovate the basketball courts and playgrounds and supports a park cleanup operation near its facility in Holland, Michigan.

For more information on projects supported by SAF-HOLLAND, please go to <http://we-think-ahead.de/en/people/>.

Our diverse projects rely particularly on the high level of commitment of our employees. We would, therefore, like to thank all our employees for their tremendous dedication, which has been a major contributor to the success of the "Think Ahead" projects.

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102-6	Important markets		10
102-7	Size of organization		10, 31
102-8	Information about staff and other employees		31
102-9	Supply chain		17
102-10	Significant changes in the organization or its supply chain	End of March 2017, SAF-HOLLAND opened a new plant in Düzce, Turkey. Production at the Muskegon (MI) and Holland (MI) locations was transferred to the Group locations in Dumas (AR), Cincinnati (OH), Warrenton (MO) and Wylie (TX) as part of the US consolidation activities.	10, 31
102-11	Precautionary principle	SAF-HOLLAND is committed to the precautionary principle.	
102-12	External initiatives		11, 14
102-13	Memberships in associations	SAF-Holland is a member of the German Automotive Industry Association, the Southern German Metal and Electrical Industry Association (Südwestmetall) and the Bavarian Metal and Electrical Industry Association (VBM). Dr. Matthias Heiden is a member of the German Board of the German-Swedish Chamber of Commerce.	11
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102-45	List of consolidated companies		Annual Report 2017, P. 23
102-46	Definition of report content and choice of topics	The topics shown in the materiality matrix apply to all locations. The relevance of the product themes (see section entitled Products) and the topic "Sustainable Supplier Management" emerges along the value chain.	11, 47
102-47	List of key issues		11
102-48	Restatements of information	There were no significant restatements.	
102-49	Modifications to reporting	The main topics in the reporting year were determined for the first time in the context of the reporting.	
102-50	Reporting period		47

GRI Standard and Indicators		Comments	Page
102-51	Date of the last report	The 2017 Sustainability Report is the first comprehensive sustainability report from SAF-HOLLAND published separately.	47
102-52	Reporting cycle		47
102-53	Contact person for questions about report		49
102-54	Statements on reporting in accordance with the GRI standards		47
102-55	GRI Index		47
102-56	External audit	An external audit of the report was waived.	47
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205/103	Management approach		14
205-2	Information and training activities to prevent corruption		14
GRI 206	Anti-competitive behavior 2016		
206/103	Management approach		14
206-1	Total number of legal proceedings due to anti-competitive behavior or cartel formation	In the reporting year, SAF-HOLLAND GmbH and SAF-HOLLAND Inc. were not involved in any legal proceedings regarding violations of antitrust and monopoly law. Also, there were no judicial proceedings for alleged anticompetitive behavior.	43
GRI 302	Energy 2016		
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302-5	Reduction in energy needs for products and services		23
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305/103	Management approach		26
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305-2	Indirect greenhouse gas emissions (Scope 2)		26
305-4	Intensity of greenhouse gas emissions		26
305-5	Reduction in greenhouse gas emissions		26
GRI 306	Waste and waste water 2016		
306/103	Management approach		28
306-1	Waste water discharge by quality and place of discharge		28
306-2	Waste by type and disposal method		28
306-3	Significant leakage of harmful substances	There was no known significant leakage of harmful substances in the reporting year.	28
GRI 307	Compliance (environmental) 2016		
307/103	Management approach		14

GRI Standard and Indicators	Comments	Page
307-1 Non-compliance with environmental laws and regulations	SAF-HOLLAND GmbH and SAF-HOLLAND Inc. were not notified of any significant violations of social, economic or environmental laws, regulations or ordinances in the year under review, nor were significant fines or non-monetary sanctions imposed on SAF HOLLAND GmbH or SAF-HOLLAND Inc. in this context.	
GRI 308 Environmental assessment of suppliers 2016		
308/103 Management approach		17
308-1 New suppliers that have been verified on the basis of environmental criteria		17
GRI 401 Employment 2016		
401/103 Management approach		31
401-1 Newly hired employees and employee fluctuation		31
401-3 Parental leave		32
GRI 403 Occupational health and safety 2016		37
403/103 Management approach		37
403-1 Representation of employees in formal employer-employee committees for occupational health and safety		37
403-2 Absences due to sickness, injuries and work-related deaths		37
GRI 404 Training and further education 2016		
404/103 Management approach		32
404-1 Average number of hours of training per employee per year		32
404-2 Programs to improve employee skills and transitional assistance		32
404-3 Percentage of employees receiving a regular assessment of their performance and career development		32
GRI 405 Diversity and equal opportunity 2016		
405/103 Management approach		32
405-1 Diversity in management bodies and in the workforce		32
GRI 406 Equal treatment 2016		
406/103 Management approach		14
406-1 Discrimination incidents and remedial action taken		14
GRI 407 Freedom of association and collective bargaining 2016		
407/103 Management approach		14
407-1 Business locations and suppliers where the right to freedom of association and collective bargaining could be threatened		14
GRI 408 Child labor 2016		
408/103 Management approach		14
408-1 Business locations and suppliers with a significant risk of incidents of child labor		14, 17
GRI 409 Forced and compulsory labor 2016		
409/103 Management approach		14

GRI Standard and Indicators	Comments	Page
409-1	Business locations and suppliers with a significant risk of incidents of forced or compulsory labor	14, 17
GRI 412	Audit of compliance with human rights 2016	
412/103	Management approach	14
412-2	Training for employees on human rights policies and procedures	14
GRI 414	Social evaluation of suppliers 2016	
414/103	Management approach	14
414-1	New suppliers that have been reviewed based on social criteria	14
GRI 415	Politics 2016	
415/103	Management approach	39
415-1	Total political donations	39
GRI 416	Customer health and safety 2016	
416/103	Management approach	21
416-1	Assess the impact of different product and service categories on health and safety	All products developed by SAF-HOLLAND are tested for their health and safety effects as part of our quality management. 21
416-2	“Incidents of non-compliance with regulations and voluntary codes of conduct regarding health”	21
GRI 418	Protection of customer data 2016	
418/103	Management approach	14
418-1	Justified complaints regarding breach of protection and loss of customer data	14
GRI 419	Socio-economic compliance 2016	
419/103	Management approach	14
419-1	Non-compliance with social and economic laws and regulations	SAF-HOLLAND GmbH and SAF-HOLLAND Inc. were not notified of significant violations of social, economic or environmental laws, regulations or ordinances in the reporting year, nor were significant fines or non-monetary sanctions imposed on SAF-HOLLAND GmbH and SAF-HOLLAND Inc. in this context.
	Key issue: customer satisfaction	
	Customer satisfaction is a key issue for SAF-HOLLAND, but not covered by the GRI standards. According to the recommendation of the Global Reporting Initiative, this topic is reported alongside the GRI guidelines.	
	Management approach	20
	Determination of customer satisfaction	20

The GRI 101, GRI 102 and all major topics are based on the GRI 2016 standards.

ABOUT THIS REPORT

GRI 102-45, GRI 102-50, GRI 102-52, GRI 102-53, GRI 102-54, GRI 102-56

This report is SAF-HOLLAND S.A.'s first standalone Sustainability Report and contains the Group's non-financial statement as defined by the Luxembourg Law on Disclosure of Non-financial Information and Diversity ("CSR Reporting Obligation"). Furthermore, SAF-HOLLAND voluntarily complies with the German CSR Directive Implementation Act when the Act's requirements are more stringent. Other information on SAF-HOLLAND's sustainability activities is included in addition to the Group's non-financial statement. The report was prepared in accordance with the internationally recognized GRI standards: Option Core of the Global Reporting Initiative. An external audit of the report has been waived.

Prior to the preparation of the report, we conducted a materiality analysis to determine the relevant sustainability issues for SAF-HOLLAND, which included external stakeholders and internal specialists. The topics identified are the focus of this report.

To meet the requirements of the CSR reporting obligation, the following five key issues have been identified: CO₂ emissions (see page 23 et seqq., 25 et seqq.), occupational safety (see page 37 et seqq.), human rights (see page 14 et seqq.), anti-corruption / bribery (see page 14 et seqq.) and product safety (see page 21 et seqq.). Information on these issues can be found in the Sustainability Report. No material matters were identified for the legal aspect of "social issues."

Non-financial risks are addressed in the Group Risk Management. Information on this can be found in the Risk and Opportunity Report contained in the Annual Report.

SAF-HOLLAND is not aware of any material risks that are very likely to have serious negative effects on the aspects stated in the law and related to our business activities, business relationships or our products and services.

Key figures were recognized by the relevant departments by department-specific software. Qualitative data was compiled by an expert on the basis of an electronic report-specific query system. When adding individual data, deviations may occur due to rounding.

A great deal of information has been collected and compiled for the first time for this report. Therefore, not all information can be reported for the entire Group. Wherever possible, the report covers the main business locations in Germany as a major component of the EMEA / I region, and the US as a major component of the Americas region. The scope of the key figures is noted when these figures are specified in the report. The key figures for the workforce in the section entitled "Employees" are largely reported across the Group. We are currently in the process of increasing the scope of the data collected in order to report on a larger portion of our consolidated companies.

An overview of all consolidated subsidiaries can be found in the 2017 Annual Report on page 23.

This report contains forward-looking statements. Such forward-looking statements are based on certain assumptions and expectations at the time of publishing this report. They are therefore associated with risks and uncertainties, and actual events may differ materially from those described in the forward-looking statements. Many of these risks and uncertainties are determined by factors outside the control of SAF-HOLLAND S.A. and cannot be precisely estimated today.

For better readability, we refrain from gender-specific references in this report. This does not imply a different level of importance for the genders. All entries are therefore gender-neutral.

The report covers the 2017 financial year, which corresponds to the 2017 calendar year. The editorial deadline was April 27, 2018. The Sustainability Report, which will be published annually in the future, will be published in German and English on the website of SAF-HOLLAND. The next Sustainability Report for the financial year 2018 will be published in the spring of 2019.

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Legal Disclaimer

This report contains certain statements that are neither reported financial results nor other historical information. This report contains forward-looking statements, which as such are based on certain assumptions and expectations made at the time of publication of the report. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements. Many of these risks and uncertainties relate to factors that are beyond the Group's ability to control or estimate precisely, such as future market and economic conditions, the behavior of other market participants, the achievement of anticipated synergies, and the actions of government regulators. Readers are cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date of this publication. SAF-HOLLAND S.A. does not undertake any obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date of publication of these materials.



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