



UN GLOBAL COMPACT

Huf Communication on Progress 2019

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Preface

Dear readers,

As a family-owned company with a long-standing reputation for our customer orientation and high power of innovation, we at Huf are not only striving to secure the future of our company, but we are also committed to act with integrity and responsibility to society. Following and implementing the “Ten Principles of the United Nations Global Compact” (UNGC) is an expression of this commitment. With this report, we would like to provide you with some insights into our activities in compliance with the target fields of the UNGC regarding the protection of human rights, labor rules, health, safety and environment as well as the elimination of discrimination and the fight against corruption.

It is an integral part of our company culture at Huf that all employees are contributing to improve sustainability in their daily work. As Huf Group Management we are promoting and actively supporting these efforts.



Tom Graf, CEO Huf Group

1. About Huf: Innovation by Tradition

Founded in 1908 by Ernst Hülsbeck and August Fürst, Huf Group is a family-owned global automotive supplier, focused on the development and production of mechanical and electronic locking systems. Today, Huf is a leading specialist for secure access and authorization systems serving almost all car manufacturers around the globe with leading-edge innovations and products increasing comfort and safety. In 2019, about 9,300 employees at 19 R+D and manufacturing sites generated sales of roughly 1.1 billion EUR. Our products can be found in more than every second vehicle worldwide: From luxury sedans to compact cars, from motorcycles to trucks – in the largest platforms of car manufacturers.

By tradition, members of the two founding families are actively involved in the management of Huf Group.

Since decades, cooperation of the two families is characterized by a spirit of respect, by trust and by responsibility for all stakeholders.

Accordingly, the management principles of Huf are oriented at creating and expanding the business in a value-oriented, sustainable manner, providing added value for our customers and safeguarding our company's long-term profitability to secure its future.

In face of the disruptive tendencies in the automotive industry, the challenges for suppliers are constantly rising. Trends like an ever-increasing individual mobility, the change from combustion engines to electrification of the drivetrain, the digitalization of vehicles as well as the request for increased functionalities and comfort at drastically reduced cost – all these demand far-reaching changes. Only companies that are prepared to actively address these challenges and support their OEM customers as well as the end-consumers with innovative solutions will be able to create a sustainable future. Against this background, we started the comprehensive transformation program *One Huf plus* in 2019. It aims at an overall restructuring and optimization of our company, increasing efficiency and transparency. As a result, this will lead to a sustainable profitability enabling considerable investments into a continuous flow of innovations.

In this process, we will not only generate leading-edge products with new functionalities, but also develop concepts to save natural resources, protect the environment and to foster progress of society.

In 2019, we have started to improve our global footprint in line with our customers' demands. By optimizing our plants according to the principles of lean management, we have already achieved substantial amendments including optimized ergonomics in our manufacturing as well as savings in energy and logistics. By involving all our employees in these activities, we acknowledge and leverage their valuable know-how – from shopfloor to administration. The increased individual responsibility also strengthens

their commitment to the transformation of Huf. We have organized our transformation program in several workstreams focusing on key topics that are crucial for the advancement of our company. At the same time, these workstreams also aim at enhancing sustainability beyond our own business.

The teams in our workstream Purchasing are working on a comprehensive improvement of the material and non-material procurement as well as on an optimization of the supply chain, including environmental aspects.

Another *One Huf plus* workstream was focused on improving overall transparency by creating a new basis for consistent, unified data in all key processes at Huf.

Precondition for a successful transformation is a consistent organization with a set of clearly defined roles and responsibilities further fostering transparency as well as enhancing responsibility and facilitating high performance. Accordingly, we started a reorganization project in 2019 and we successfully rolled out the new organizational structure at the beginning of 2020.

To accompany the transformation, in 2019 we also started a brand positioning project in which we reflected and sharpened the key values of our company and brand. Reliability is at the core of our identity as a company. Our entrepreneurial attitude is based on anticipating our customers' needs and creating cutting-edge solutions with added value – including ecological aspects. For Huf, sustainability is part of our program.

2. Realizing the UN Global Compact principles

Acting sustainably requires a solid framework of rules as well as clear principles that build the common denominator for business ethics.

Regarding our business behavior, our Code of Conduct determines our actions towards customers, employees, suppliers, and all stakeholders.

The Ten Principles of the United Nations Global Compact provide another precept for contributing to social progress. By committing to these principles and reporting on the progress in the four key areas of “Human Rights”, “Labor”, “Health, Safety & Environment” as well as “Anti-Discrimination & Anti-Corruption”, we also want to motivate our suppliers and business partners to join in.

Ground rules of our business behavior

At Huf, compliance is a management responsibility with top priority. We do not tolerate any non-compliant behavior in our own organization or among our business partners. Therefore, we take the necessary preventive actions to ensure compliance. Likewise, by internal controls and audits we ensure the detection of fraud. We constantly check our structures and processes to erase potential weaknesses.

The ground rules for our business behavior at Huf are summarized in our Code of Conduct. When joining Huf, each employee receives his or her personal copy. In addition, the Code of Conduct is published in our intranet “Huf Connect” and on our website www.huf-group.com. By regular trainings we ensure that all employees

understand the principles of the Code of Conduct and are able to put them into daily practice. Each employee is committed to undergo an online training and test every year. For those without access to these online trainings, we regularly offer on-site workshops and trainings. Thus, our employees' awareness to act in compliance with the law and ethics is constantly raised. All this is supported by a "clear tone from the top" in our management communication to employees and external partners.

To ensure that our suppliers adhere to our ethical principles, we publish a supplier version of our Code of Conduct and have installed various procedures, where an explicit commitment to this code is confirmed in writing during the order process. All our suppliers and business partners undergo a thorough screening to ensure that all elements of our supply chain are com-

pliant. Thus, we also fulfill the requirements of our OEM customers who regularly query aspects of compliance and corporate social responsibility.

As a member of industry-wide organizations like the Association of the German Automotive Industry (VDA), the French Vehicle Equipment Industries Association (FIEV), European Association of Automotive Suppliers (CLEPA) or associations like the Portuguese Business Ethics Association (APEE), we contribute to further establish compliance and corporate responsibility standards in our industry. Thus, we also ensure best practice sharing for the constant improvement in these areas.

To verify that our internal measures to act in compliance with legal requirements and ethical principles are successful, we regularly organize internal audits, focused on topics like

health, safety and environment, including workplace evaluations, treatment of hazardous materials, energy and water consumption. All our sites have been certified, fulfilling the criteria of IATF 16949:2016 and DIN EN ISO 14001:2015.

Regarding compliance, we monitor the frequency of employee trainings, check potential incidents of non-compliance as well as the adherence to human and labor rights.

Furthermore, we monitor and track the compliance of employment contracts, benefit systems, recording of working hours, training hours and measures to ensure data protection.

Target field anti-corruption

As summarized in our Code of Conduct for our employees and suppliers, Huf takes all necessary measures in line with local laws to fight corruption and bribery. Thus, we contribute to a fair competition based on national and international anti-trust laws. Therefore, we regularly monitor the activities at all our legal entities. Further measures are comprehensive probability analyses to identify potential risks in our supply chain that are managed by our Purchasing team. The entire process is subject to internal audits.

As adherence to competition law is of major importance for us, we laid special attention on this topic in our internal online and on-site trainings. Especially teams in Purchasing, Sales, Controlling and Finance are

undergoing intensive regular trainings. In 2019, 721 employees successfully passed the compliance e-learning courses with an internal certificate. The e-learning continuously lead to a further sensitization of our employees.

With our whistleblower channel, we enable employees to uncover any breach of our Code of Conduct, including the anti-corruption rules. This entire process is handled by our Compliance Office under strict confidentiality. Regular internal audits conducted by our global function Finance in conjunction with our certified public accountants are an additional means to ensure compliance.

By comprehensive screenings of existing and new suppliers in course of the purchasing process, we prevent to enter business relations with suppliers who are not ready to commit to the rules in our Code of Conduct or who are under suspicion of illegal actions.

Target field human rights

The UNGC principles of human rights are an integral part of our Code of Conduct and our daily business behavior.

We actively protect the internationally proclaimed human rights and abstain from any business relations with suppliers, customers or others that are complicit in human rights abuses.

This also holds true for the ban on child labor and forced labor which is also stated in our Code of Conduct. For a country-related probability analysis, we use the “CSR Risk Check Tool” developed by the governmental German Agency for Economy and De-

velopment (Agentur für Wirtschaft & Entwicklung) and the index developed by the Dutch institution MVO Nederland – a global network focused on supporting sustainability in business. In all countries with a high risk, we ensure compliance by internal audits.

To support control of the adherence to human rights especially in our supply chain, we follow the NAP (National Action Plan Economy and Human Rights) set up by the German government. We use the NAP Due Diligence Principles as a guideline to check whether all requirements are fulfilled at Huf and our potential and actual business partners.

To prevent that we violate human rights in our supply chain by using conflict minerals in our products, we follow the Guiding Principles of VDA (Association of the German Automotive Industry) and the “OECD Due

Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas”.

A responsible manager in our Purchasing teams, supported by an external consultant, regularly monitors our supply chain and collects data in the form of a standardized Conflict Minerals Reporting Template (CMRT). These data are shared with our customers.

Target field labor

In line with the regulations of our Code of Conduct, we follow all principles regarding the freedom of association, and the effective recognition of the right to collective bargaining as defined in the UN Global Compact. We lay special emphasis on fair, constructive negotiations with the employees' representatives regarding tariffs, social benefits and necessary restructuring measures affecting the workforce at our global sites.

To secure the future of our company, we need to hire, retain and train our employees aligned to the rising requirements in the automotive industry and to meet the challenges of the demographic change as well as in view of the lack of specialized workforce in many regions. Therefore, we are

working on an overall improvement of our Human Resources strategy and processes within our transformation program.

As a global company, the acceptance and respect for different cultures and customs is crucial. As defined in our Code of Conduct, we take care to promote diversity in our staff regarding age, gender, nationality, religion, color of skin, sexual orientation and disabilities, and take all measures to prevent any form of discrimination.

Apart from various talent and trainee programs, we support life-long learning of our employees with focused training programs at all sites, tailored to the local conditions and needs.

Globally, we provided more than 76,000 training hours for our employees.

For all our employees, we ensure a safe, healthy working environment, taking all precautionary protection measures and motivating the teams to always act in line with our regulations for safety and environmental protection. Our target is to certify Huf sites according to the OHSAS 18001 (in future ISO 45001). We regularly monitor the performance of protection measures by internal health and safety audits.

In 2019, we had more than 14,500 training hours globally to sensitize our employees for improved work-place safety, amounting to over 19 % of overall training efforts. Due to our various initiatives in this field, we were able to reduce the number of days lost due to accidents by 25 percent at all Huf sites in comparison to 2018.

To support the health care of our employees, we provide medical consultation related to occupational health at our sites and organize special activities like basic health checks, vaccinations against influenza or other diseases, physiotherapy and different fitness courses.

Continuous development of our employees in line with their talents, consequent improvement of occupational health and safety and a fair, transparent cooperation with the employees' representatives are an integral part of our business behavior. As our corporate culture is determined by taking responsibility – in our business and beyond – we also support the activities of our employees at all global sites to act as good corporate citizens. In 2019, employees and management organized various events supporting social causes and educational initiatives.

Focus was on funding of anti-cancer campaigns, blood donation, food and clothes donations.

Additionally, Huf employees were engaged in local help days, supporting non-profit or public institutions as well as schools.

In addition, a number of activities was directed at environmental protection.

Target field environment

As a family-owned company, sustainability is our program. We use our innovative strength to protect the environment and nature. We strive to continuously improve the processes in our global development and production network so that they are economically and ecologically efficient. At Huf, environmental protection ranks equal to customer satisfaction. As the automotive industry must fulfill ever higher standards in environmental protection – from production to the environmental performance of each vehicle – we support our customers in reducing the environmental impact of automotive production and car traffic. To further foster environmentally friendly production and products, we commit our suppliers with our Code of Conduct to our sustainability principles.

With the development of innovative products at Huf, we contribute to reducing fuel and energy consumption by light-weight design, e.g. replacing metal by other materials, reducing the number of components at an even increased level of functionality, and continuously improving quality and durability of our products. Thus, we improve the carbon footprint of both our customers and our company. In general, we pay special attention to the resource efficiency regarding our material usage – throughout our entire supply chain. In one of our core competence areas, the painting of door handles and other exterior parts, we minimize the use of solvents and offer waterborne coatings. Moreover, we constantly reduce the use of energy in our production as well as our logistics.

The impact of our production on the climate is one of the central topics of our Sustainability Committee,

consisting of members from the Compliance & Risk Management, Purchasing and Operations functions. All climate-related issues are aggregated to an energy policy which is reviewed annually. The implementation of improvements is monitored by a special “carbon team” on a quarterly base, which is reporting the results to the CEO of Huf Group.

Within our internal improvement suggestion system “ERGO” (“Evaluate – React – Go – Optimize”), employees continuously hand in proposals focused on various topics. Environmental aspects are playing a major role. They range from measures for energy saving, material reduction, material re-use, reduction of water consumption to space reduction in our production lines and optimized logistic processes. In 2019, about 10 percent of suggestions were related to these topics. Compared to 2018, the number

rose by 53 percent. This did not only have positive environmental effects but also led to considerable cost reduction. In addition, it shows the increased sensitivity of our employees to environmental issues.

We support the motivation of our employees by rewarding their suggestions and foster their initiatives to environmental protection and saving of natural resources.

Carbon footprint and energy consumption

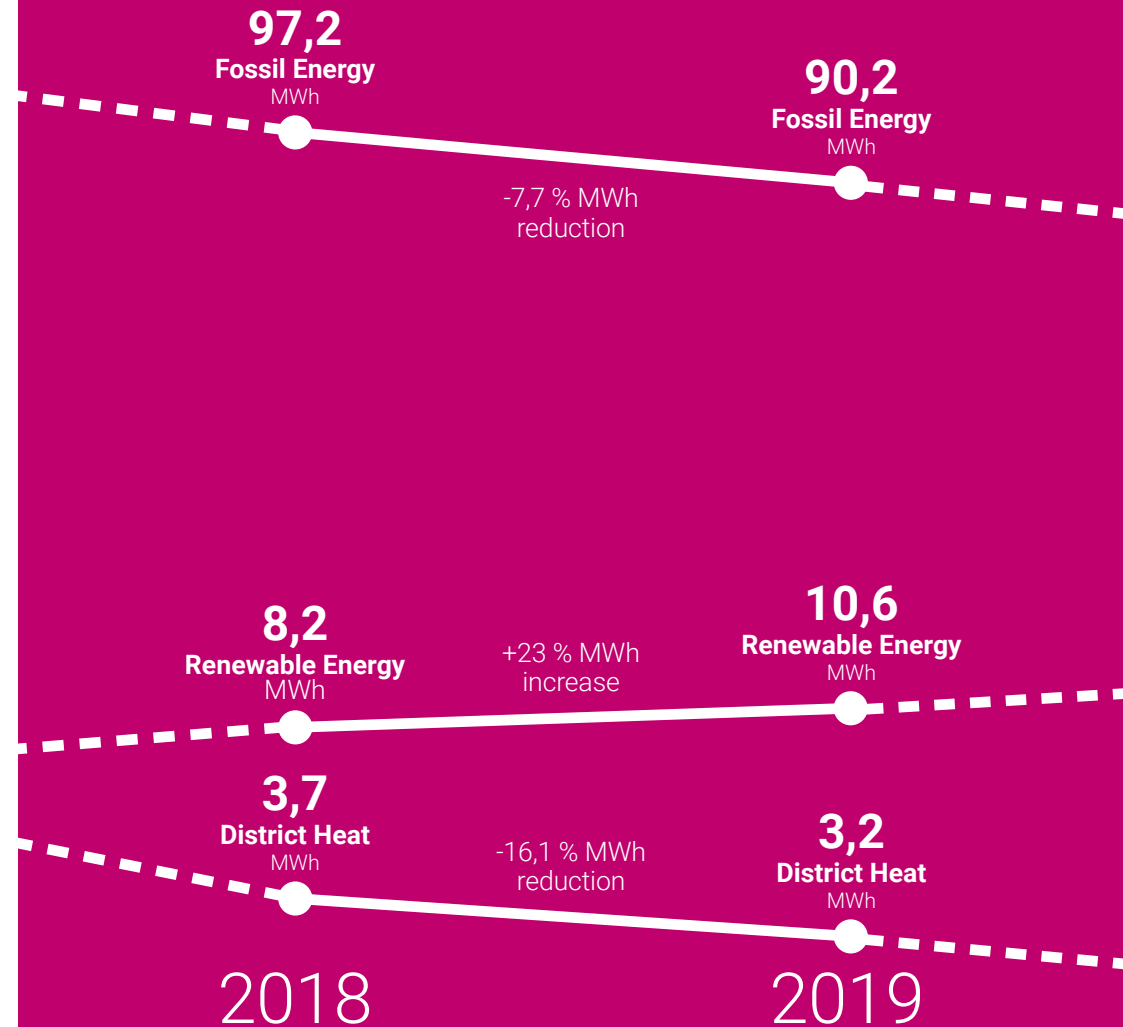
Since 2013, we are reporting to the Carbon Disclosure Project (CDP). In this context, we measure our carbon footprint according "Scope 1" (related to direct emissions from our global sites) and "Scope 2" (related

to indirect emissions such as from direct heating or use of electricity). In 2019, we reduced the greenhouse gas emissions (comprising Scope 1 and 2) by 7.3 percent from 47,061 tons CO₂ equivalents to 43,632 tons CO₂ equivalents.

Greenhouse Gas Emissions

In 2019, our global consumption of electricity amounted to 104.1 MWh, which is a reduction of almost 5 percent as compared to 2018. 90.2 MWh came from fossil energy sources (about 8 percent less than in 2018). We were also able to shift our energy mix towards the use of energy from renewable sources by almost 3 percent. We used 10.6 MWh from renewable sources which amounts to 10.2 percent of our overall energy consumption.

Energy Consumption Huf Group (Scope 2)



Water consumption

As water is a sensitive resource not only due to the progressing climate change, we intensified our initiatives to lower our water consumption and increase the re-use of water, for instance by employing process water in a closed loop. Any residual water from our processes is discharged after special treatment to prevent load on the water cycle. We measure the amount of water withdrawal in liters per thousand EUR of sales volume. In 2019, we reduced the amount of water withdrawal by 1.4 percent from 210 liters in 2018 to 207 liters per thousand EUR of sales volume.

Waste avoidance

Providing top quality to our customers and following a “first time right” approach in everything we do helps us to save resources in many respects. Therefore, we are constantly improving our quality management system at all sites.

In our manufacturing, we recycle any excess material like sprue in plastic injection molding or die casting. Plastic material is milled to granulate and re-used in injection molding processes. Zamak, a special alloy used for locksets, steering column locks or tailgate locks, is immediately melted and re-used in the die casting process.

In our logistics, we take special care to avoid waste by optimizing the packaging of our products.

Greenhouse Gas Emissions (Scope 1 and 2)

47061
CO₂ tons
2018

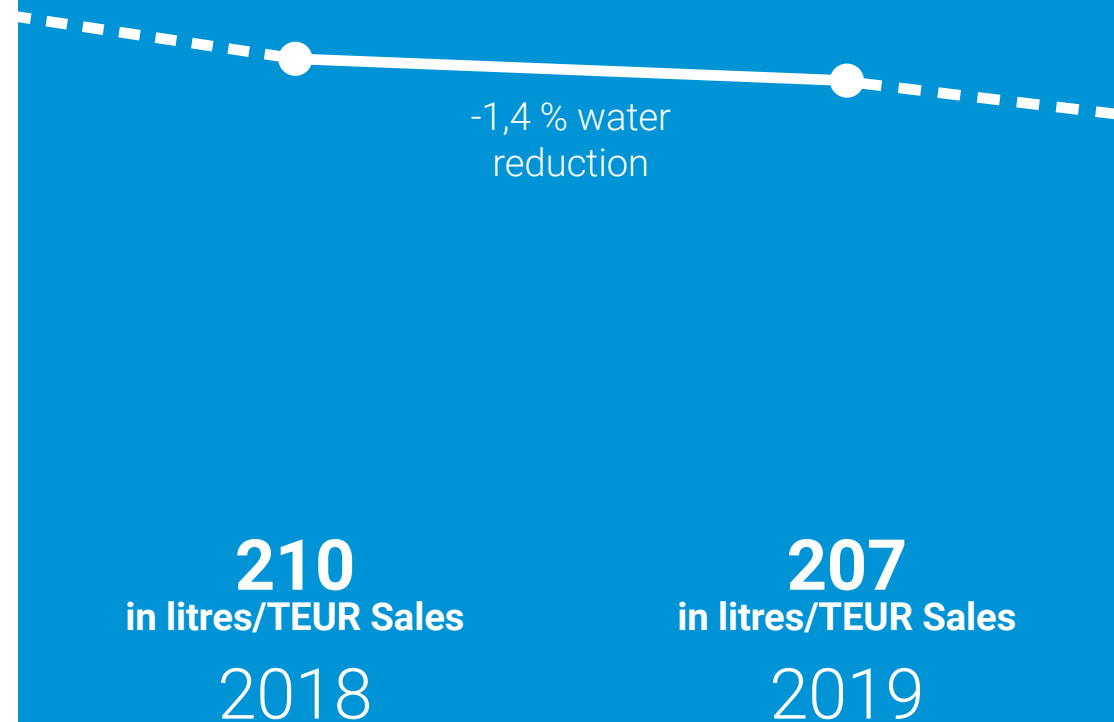
43632
CO₂ tons
2019

-7,4 % CO₂
reduction

In course of our global lean management initiative in Operations, we were able to drastically reduce the number of transport boxes and packaging materials by improved packaging systems. In general, we are deploying re-usable or recycled packaging materials.

At all our sites, we have special initiatives to reduce waste. In our production as well as regarding the further life cycle of our products, we consider recyclability. For a certain range of products, we also provide information on recycling options.

Water Withdrawal



3. Summary

Throughout 2019, we ensured by various measures and control mechanisms that we realized the principles of the UN Global Compact in our business. With the workstream activities in our One Huf *plus* transformation program starting in 2019, we cover many topics that are essential to achieve an enhanced sustainability. We summarized our improvements according to the GRI (Global Reporting Initiative) index on progress.

As part of our transformation program, we will also develop a comprehensive sustainability strategy, including a new set of key performance indicators to document the progress we make with our various activities.

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