

SUSTAINABILITY
REPORT 2018

SUSTAINABILITY REPORT

In the current, increasingly volatile political and economic environment, responsible and reliable values-based strategies are more important than ever before. For society is becoming increasingly aware of the need for sustainable management. Operating a commercially viable business while at the same time taking responsibility for our employees, society and environment has been at the heart of the JOST Werke Group's philosophy for more than 60 years. Our clear strategic action areas, our values and our governance structures provide the basis for achieving our growth goals profitably and sustainably over the next few years. We are conscious of the impact that our business activity has on the environment and on society. In this Sustainability Report, we would like to explain the role of JOST in society and what effect we have on the economy, people and the environment.

In accordance with Section 289d of the Handelsgesetzbuch (German Commercial Code – HGB), we have examined the national, European and international frameworks for the preparation of this non-financial report and have chosen to base our sustainability report on the German Sustainability Code (DNK). This report supplements and enhances our non-financial reporting, and includes all Group companies over which JOST exercises control – in other words, 100% of consolidated sales. We therefore collect and report key figures in such a way that they are representative of the JOST Werke Group as a whole. We make mention of special circumstances and exceptions. This report covers the 2018 fiscal year, which is the same as the calendar year.

We have only been able to include the upstream and downstream parts of our value chain and outsourcing activities to a certain extent because our influence over these areas is limited. We only exercise control when we maintain influence over a company's financial and operating decisions and receive services.

Business model

JOST is a leading global producer and supplier of safety-critical systems to the truck and trailer industry. Our global leadership position is driven by strong brands, long-standing client relationships and a flexible and capital-efficient business model. The two core products in our product portfolio are fifth wheels and landing gears, which were responsible for over 60% of consolidated sales in the 2018 fiscal year. The product portfolio is divided into Vehicle Interface, Handling Solutions and Maneuvering systems. Further information about the business model can be found in the 2018 combined management report of JOST Werke AG in the section entitled "Fundamental information about the Group".

Our value chain requires us to purchase mostly prefabricated steel products from foundries and forges, which we then process in our own production facilities to strict quality and safety standards. We focus on assembling and machining quality-critical parts while outsourcing standard upstream processes. Different versions of our products therefore emerge at a relatively late stage in our production process. Our finished products are sold to manufacturers of trucks and trailers for the heavy vehicle industry and to wholesalers servicing the spare parts market. JOST has an extensive worldwide distribution network that supports original equipment manufacturers (OEMs), spare parts companies and wholesalers. JOST products are installed in both trucks and trailers and are used mainly by logistics companies and fleet operators.

Sustainability strategy and goals

Corporate social responsibility is a prerequisite for achieving sustained commercial success against international competition. This means that both the Company and its managers and employees must comply with the laws applicable in their part of the world, respect fundamental ethical values and demonstrate a high standard of conduct at all times. Maintaining a link between economic value creation and ecological and social responsibility is therefore vital. We expect sustainability to help us stay competitive, drive innovation and, as a result, keep evolving in the future.

More and more of our OEM customers and the end users of our products, the fleets, are insisting on sustainable operations and sustainable products. It is becoming increasingly important to make logistics services more sustainable as worldwide demand for transport continues to grow as a result of globalization. With its sustainability strategy, JOST therefore aims to configure and develop its business operations and products in such a way that they contribute to sustainable value creation in the heavy goods transport industry.

Our production has set itself the target of minimizing the use of energy and resources. This enables us not only to generate cost advantages but also to make our production processes more environmentally friendly. When it comes to the use of our systems, our product development efforts aim to create new products that minimize their environmental impact when in use. And when we select our direct suppliers, we pay attention not only to commercial and quality factors but also to compliance with human rights, social and ecological standards and the existence of mechanisms for the prevention of child and forced labor.

We also want our employees to be satisfied and to feel a strong bond with the JOST Werke Group. To ensure employee satisfaction, we continue to invest in our workforce by introducing and maintaining high standards of occupational health and safety and in promoting employee health. We ensure compliance with human rights and the avoidance of all forms of discrimination in all our subsidiaries and associated companies. The details of our concrete goals and measures will be explained in detail over the course of the Sustainability Report.

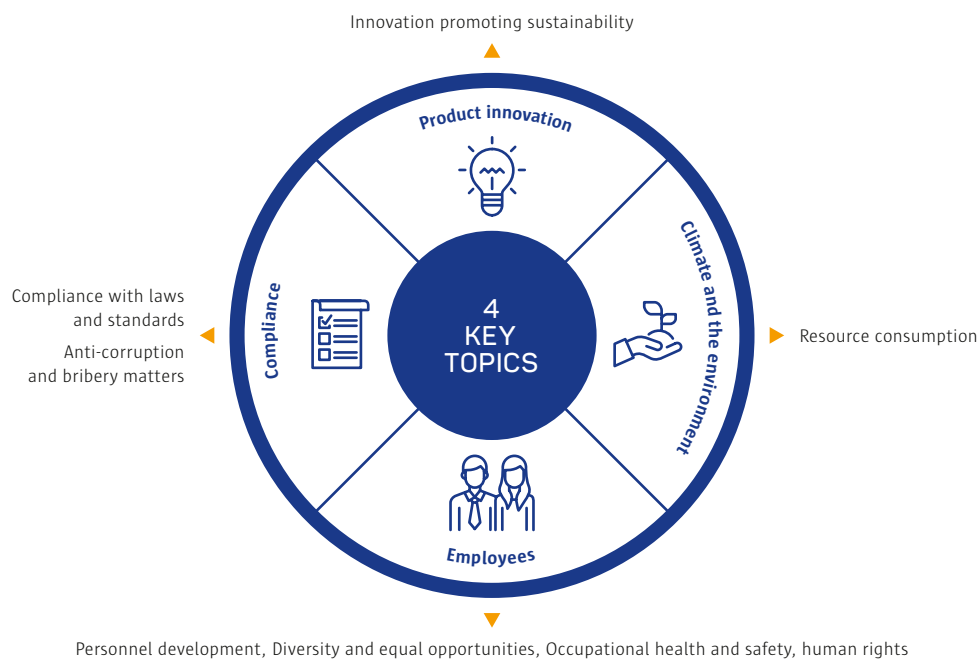
Key sustainability issues

We see it as our corporate responsibility to strengthen the trust of our stakeholders by creating sustainable values and dealing proactively with the impact of our actions. If our business is to be sustainable, our strategy must successfully balance the requirements of business, ecology and society. To do this, we need to identify, evaluate and actively manage the positive and negative effects as well as the opportunities and risks of our business activities.

Our sustainability reporting is based on the results of a materiality analysis. This analysis was carried out with representatives from the Management Board and responsible persons from the areas Sales, Purchasing, Human Resources, the Works Council, Product Management, Public Relations, Investor Relations and Legal & Compliance, as these maintain close contact with JOST's stakeholders and therefore understand their interests and concerns. In the course of the interviews, the ecological, economic and social issues confronting JOST in the course of its business activities were analyzed and evaluated and prioritized according to their relevance.

The key topics for the Sustainability Report that our internal experts believe are particularly important to our stakeholders were derived from this materiality analysis. The Management Board and the Supervisory Board subsequently confirmed the key non-financial issues selected for inclusion in the report. The key topics are:

Core sustainability topics at JOST



Integrating sustainability into corporate governance

In order to act sustainably, the right values, action guidelines and organizational structures must be firmly embedded within the Group. This will enable JOST to help its employees and managers to act responsibly in the interests of a values-based and safety-conscious corporate management.

The Management Board has overall responsibility for all matters relating to sustainability in the Group. To ensure that our strategy as well as our policies and standards are both maintained and further developed, the Management Board has delegated certain tasks to a number of functional areas within the Group.

Environment and quality

Our quality and environmental management system is responsible for compliance with and continual improvement of the environmental, safety and quality standards within the JOST Werke Group. It is also responsible for the environmental, safety and quality certification of all JOST sites. We rely on internationally accepted standards and certifications to help us develop consistent corporate policies and directives and to maximize the standardization levels of processes and action guidelines at our various sites. Our strategy is to create an integrated quality and environmental management system worldwide. QHSE departments have been set up at local level to support all our production sites and assist them with implementation.

Employees

Human Resources is responsible, among other things, for personnel strategy, employee development and compliance with regulations on employee rights at JOST. Human Resources Global organizes, manages and coordinates our strategic objectives globally, with responsibility for local implementation delegated to each individual site.

Compliance

In addition to the Chief Compliance Officer (CCO), who is appointed by the Management Board, all subsidiaries have local compliance officers who help the CCO to communicate compliance-related matters at the local level and to implement and execute particular compliance measures in the subsidiaries. Our compliance program allows for the timely development and implementation of measures to counteract unlawful or unethical activities within the Group and thereby prevent improper conduct. Details of our compliance organization are provided in the "Compliance" section of this Sustainability Report.

Risk management

Direct responsibility for identifying and managing business risks at an early stage lies with the risk owners in each of our operating areas. Their responsibility also extends to risks in the areas of the environment, human resources, products and compliance. Each risk owner is responsible for carrying out risk monitoring on a decentralized basis. This information is consolidated by the central risk management unit. The Management Board will be informed promptly of any acute risks and opportunities. Details can be found in the section "Report on opportunities and risks" of the combined management report.

Innovation and product management

JOST develops and supplies safety-relevant systems for the heavy goods transport industry. Our core products include truck-trailer interfaces such as fifth wheels, kingpins, landing gear and trailer couplings. In addition, we offer handling systems for a variety of cargo, such as containers and hydraulic cylinders, and products for commercial vehicles, such as forced steering systems and modular axle systems.

Connecting devices such as fifth wheels and towing hitches are safety components subject to maximum stress. Product safety, quality and reliability therefore play a key role in all product and process innovations at JOST. The failure of any of our products in service could result in a traffic accident. Depending on the cargo, an accident could not only cause personal injury, but it could also seriously affect the environment if, for example, hazardous goods are involved. In addition to ensuring the high levels of quality and reliability of our products, our innovation and product management also aims at enhancing JOST's competitiveness. At the same time, we aspire to make the production and use of our products more sustainable. We involve our customers in our innovation processes at an early stage so that we can develop products that address their needs. This approach helps our customers to make their businesses more sustainable too.

The fully biodegradable high-performance lubricant we developed for the lubrication of fifth wheels and towing hitches is a striking example of how sustainability concerns can have a positive impact on new product development. The background to this particular innovation is the fact that it takes about ten kilograms of grease to maintain a fifth wheel in normal use for just one year. Especially if used improperly, a significant proportion of it can end up on the road and pollute the environment. Previously, JOST managed to reduce the annual lubrication requirements of its products from 10 kg to around 1.6 kg by developing and introducing the LubeTronic® minimum lubrication system. Now we are going one step further and offering our customers a biodegradable high-performance lubricant that meets the requirements of the OECD 301 B biodegradability test. Since the JOST high-performance bio lubricant actually exceeded the requirements of the test, it has been rated "readily biodegradable". In combination with LubeTronic®, the lubricant itself is optimally matched to the application. This not

only makes it attractive from an environmental point of view but also saves fleet operators money – because less grease is needed. Thanks to this product innovation, JOST products are helping to reduce the ecological footprint of the commercial vehicle industry. JOST launched its new lubricant for commercial vehicles at the IAA in 2018 and will begin marketing and distributing it in 2019.

Significantly reduced grease pollution of roads and the environment



- ▶ **Reduction to 1.6 KG instead of 10 KG grease per year** for lubricating fifth wheels and towing hitches by developing and marketing the LubeTronic® minimum lubrication system



- ▶ **0.0 KG residues – Development of a fully biodegradable high performance lubricant in 2018**
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Our research and development activities are also focused on reducing the carbon footprint and weight of our products. Another important objective of our research effort is improving the safety and speed of the coupling process, with innovations like the KKS automatic coupling system, for example. Automating the coupling procedure not only increases the safety of drivers and the efficiency of the fleet; it also greatly reduces the physical effort needed to carry out the coupling operation and therefore has a beneficial effect on the health of the drivers.

Climate and the environment

We are keen to keep our environmental impact as low as possible and avoid it where possible in the course of our business activities. As a result, integrated quality and environmental management is part and parcel of the culture of JOST. It is our goal to make our production sites safe and sustainable. Our quality and environmental management teams are responsible for making sure that this goal is met.

JOST operates a total of 19 production plants worldwide and is represented in 22 countries. A structured program of employee training, combined with regular appraisals of health, safety, quality and environmental management, supports the implementation of established

standards and policies and helps with the early identification of any areas in need of intervention. As part of our risk management system, we systematically identify and seek to minimize risks and potential hazards. On-site experts check compliance with local standards and the regulations that govern the safe operation of the plant. In addition, regular external audits are carried out for the purposes of certification in accordance with the DIN ISO 9001 quality management standard, the DIN ISO 14001 environmental management standard, the OHSAS 18001 occupational health and safety management standard and the IATF 16949 automotive industry standard. If the results of the audits show potential for improvement, we implement the appropriate measures.

We are committed to increasing the scope of certification in our plants and we plan to certify all our production sites in accordance with the ISO 14001 environmental management standard. At least one new plant will be added each year. In the 2018 fiscal year, we achieved our goal when our plant in Spain was certified for the first time.

We received no environmental complaints related to our activities during the 2018 fiscal year. There were no environmental offenses and no sanctions.

Materials used

Because the commercial and environmental impacts of resource consumption are closely linked, they often point in the same direction. For example, efficiency measures often have a positive impact on the environment by minimizing the consumption of resources. The greatest environmental risks in the production of our products are to be found in the upstream value chain, in iron smelting or in forges and foundries that generate high climate-relevant emissions during the production of steel products.

Approximately 70% of the materials we use are pre-processed steel products. A detailed analysis carried out in 2018 by “Drive Sustainability, the Responsible Minerals Initiative” on the sustainability risks of various raw materials assessed the environmental damage from the introduction of hazardous chemicals or acids into the environment during steel extraction and processing as low. In contrast, it judged the environmental damage from carbon emissions to be high. It also rated the risk of endangering nature reserves during iron smelting as high.

JOST has only limited control over these risks, as our influence is restricted to our choice of direct suppliers and we have no reliable overview of and only limited control over the suppliers of our suppliers. However, our Supplier Code of Conduct does require our suppliers to uphold sustainability standards and to exercise control over their own supply chain.

Ecological indicators

The general goal of our climate and environmental responsibilities is to continually improve our environmental performance indicators.

Our environmental management system tracks and monitors our performance with regard to energy consumption, waste volume, water consumption and climate-relevant emissions on an annual basis. In doing so, we focus on the following core indicators:

Core ecological indicators

5 CORE INDICATORS OF ENVIRONMENTAL MANAGEMENT



Our relevant key figures have developed as follows:

Indicator	Unit	2018 figure*	2017 figure*
Electricity consumption	kWh / production hour	8.43	8.89
Natural gas consumption	kWh / production hour	7.10	6.50
Water consumption	m ³ / production hour	0.02	0.02
CO ₂ -emissions	Kg CO _{2eq} / production hour	7.60	7.57
Total waste	t	20,074.3	17,612.3
Scrap	% of total waste	77.0	77.3
Hazardous waste	% of total waste	7.4	7.0
Non-hazardous waste	% of total waste	15.6	15.6

* Direct comparison with the figures in the previous year's report is not possible as the group of consolidated companies has changed. In addition to the major European sites, our major sites in North America, South America and Asia have also been included in the list in the fiscal year 2018.

The emission of greenhouse gases when manufacturing our two key products, fifth wheels and landing gears, is primarily due to the materials used. These materials are required to fulfill requirements concerning the stability, safety and durability of our products.

On average, direct and indirect greenhouse gases emissions for the production of one fifth wheel totaled 0.23 kg CO_{2eq} in 2018, while for one landing gear this figure was 0.09 kg CO_{2eq}. The greenhouse gas emissions of the German production plants in Neu-Isenburg and Wolframs-Eschenbach were used for the calculation, as these plants exclusively manufacture fifth wheels and landing gears, so that the greenhouse gases emitted can be allocated to the individual products.



▶ Carbon emissions of 0.23 KG CO_{2eq} per production unit for fifth wheels

▶ Carbon emissions of 0.09 KG CO_{2eq} per production unit for landing gears



Certifications

The high priority attached to sustainable business operations at JOST is also reflected in the various certifications obtained by the international locations and national Group companies.

Overview of certifications worldwide

		ISO 9001: 2015	ISO TS 16949: 2016	ISO 14001: 2004	ISO 14001: 2015	KBA Confirmation	OHSAS 18001: 2007	UNE-ISO TS 16949
Europe	JOST-Werke Deutschland GmbH, Neu Isenburg	✓	✓		✓	✓		
	JOST-Werke Deutschland GmbH, Wolframs-Eschenbach	✓	✓		✓			
	ROCKINGER Agriculture GmbH	✓			✓	✓		
	JOST – Hungária Kft	✓	✓		✓	✓		
	JOST Iberica S.A.		✓		✓			
	JOST Polska Sp. z o.o	✓	✓		✓	✓		
	JOST TAT OOO	✓			✓			
	JOST UK Limited	✓						
	TRIDEC BV	✓						
	TRIDEC – Sistemas Direccionais para Semi-Reboques, Lda.	✓			✓			
	JOST OTOMOTIV SANAYI TICARET ANONIM SIRKETI	✓						
North- and South America	JOST Brasil Sistemas Automotivos Ltda.	✓	✓	✓			✓	
	JOST International Corporation, Grand Haven, Michigan	✓						
	JOST International Corporation, Greeneville, Tennessee		✓		✓			
APA (Asia, Pacific and Africa)	JOST Australia Pty Ltd	✓						
	JOST (China) Auto Component Co., Ltd., Economic & Technological Development Zone, Wuhan	✓		✓			✓	✓
	JOST India Auto Component Pvt. Ltd.		✓		✓			
	JOST (Thailand) Co., Ltd					✓		
	JOST South Africa (Pty) Ltd	✓						

Employees

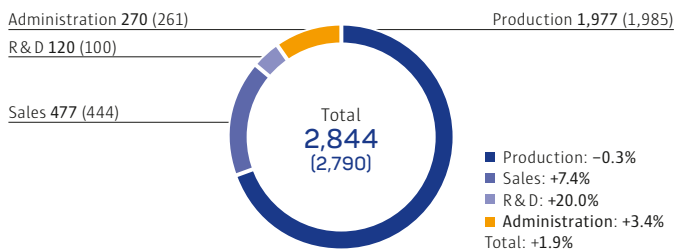
Treating all employees responsibly and respectfully is a key aspect of our business operations. Highly qualified, committed and motivated employees are essential to the successful development of our business and implementation of our growth strategy. As a result, employee recruitment and retention is very important. We want to be an attractive employer to employees and young talent.

JOST believes in the importance of having employees with a long-term commitment to the Company. Our mission is to motivate our workforce, to treat them fairly and to help them develop professionally. In 2018, the Group-wide employee turnover rate was only 8.7% – which is testament to the high level of employee loyalty. By comparison, the average employee turnover rate in the automotive sector and among suppliers is higher than 10%.

In the 2018 fiscal year, we employed an average of 2,844 employees worldwide – a year-over-year increase of 1.9% (previous year: 2,790). The slight reduction in the number of production employees is mainly due to the relocation of a production site from Shanghai to Wuhan in China. This reduction has almost completely been compensated for by the increase in the number of production employees in the USA. The number of employees in research and development increased sharply by 20.0% year-over-year. This is due to the fact that in fiscal year 2018 we further increased our focus on product development and enhancements in order to generate greater value for our customers with our products and thus differentiate ourselves apart more from the competition.

Average number of employees by function

Total 2018 (2017)



Personnel development

Highly qualified, committed and motivated employees need to be treated in a way that shows appreciation and a sense of responsibility.

This is why JOST attaches great importance to the continuing professional development and career advancement of its staff. At the same time, we provide a range of professional development options, such as job-related training, language courses and seminars aimed at developing the personal, methodological and management skills of our staff. This is part of our commitment to improving the engagement of our employees, maintaining their motivation and supporting them individually along their chosen career paths. To help us recruit talented staff for all of our business operations, we also aim to position JOST as an attractive employer to potential recruits outside the Company.

We spent an average of €248 on continued professional development per employee in 2018.

We continued the successful JOST Talent Program into 2018 as part of our global high potential development efforts. The content of the training modules is focused on the JOST leadership principles and effective communication across national borders. A further three modules on topics such as change management and strategic thinking, team

leadership and conflict management are planned for 2019. Overall, 15 young managers are taking part in the program worldwide, supported in a parallel mentoring program by experienced JOST managers.

International JOST training modules



- ▶ **Focus of the training modules in 2018:** “JOST leadership principles” and “Effective communication across national borders”
- ▶ **3 more training modules in 2019, specifically:** “Change management and strategic thinking”, “Team leadership”, “Conflict management”

Establishing the JOST Talent Program as a permanent institution for worldwide potential development is one of our stated goals. The selection process for next year’s program will begin at the end of 2019.

In 2018, further local development programs were launched in the Netherlands, Portugal and Poland, focusing on the professional development of managers and the establishment of national talent pools. We intend to roll these programs out to other companies in 2019.

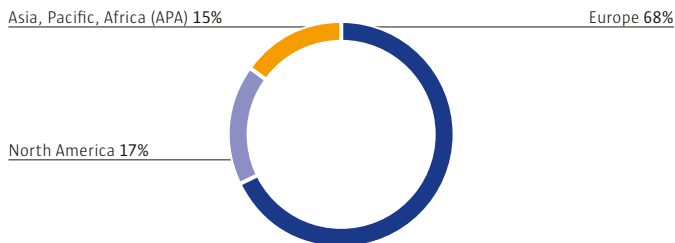
In the 2018 fiscal year, our German sites trained nine commercial apprentices. Moreover, we can report that we resumed the training of industrial apprentices in August 2018 and currently have two apprentices training as warehouse logistics specialists. It is our intention to eventually offer our commercial and industrial apprentices permanent jobs upon completion of their training. We plan to further extend our range of training occupations next year.

Diversity and equal opportunities

As a company operating internationally, we have instilled a culture that respects the individuality of every person and promotes equal opportunities irrespective of age, gender, disability, ethnocultural origin, religion, ideology or sexual identity.

At the two German sites of JOST-Werke Deutschland GmbH alone, we employed staff representing more than 30 different nationalities in 2018 – which demonstrates the great diversity of our workforce. The average age of these employees is 44 years. The average length of service in Germany is more than 11 years, which highlights our employees’ strong sense of loyalty to the JOST Werke Group. Our diversity is also reflected in the fact that we employ people in 121 different professions.

Average number of employees by region as of December 31, 2018



We are particularly committed to gender equality. We offer women and men in our company the same opportunities and strive to strike a gender balance at all employee levels. As JOST's business focuses heavily on technical professions, in which women are still underrepresented in both higher education and the application process, increasing the proportion of women in the Group presents a challenge. In fiscal year 2018, the Group-wide share of women was 12.4%.

We increased the Group-wide proportion of women in management roles at the two management levels below the Management Board to 10% (previous year: 8%). As a result, we already achieved our goal in 2018 of increasing the proportion of women in management positions to at least 10% by 2020. Going forward, the Management Board will continue to take diversity into account when hiring senior management and, in doing so, consider female candidates in particular. However, the professional and personal qualifications of each candidate are our primary focus when making the final selection.

Women in management positions in 2018



- ▶ **10% share of women** in management roles at the two levels below the Management Board (2017: 8%)
- ▶ **50% share of women** in management positions at JOST Werke AG (2017: 33%)

The proportion of women working at JOST Werke AG in management positions below the Management Board rose to 50% in the 2018 reporting year (previous year: 33%). This means that JOST Werke AG has already reached its target of at least 30%.

On a related note, we held a workshop in the 2018 fiscal year on group-related misanthropy and discrimination. The workshop discussed questions such as discrimination prevention and employee rights and was aimed at all employees, managers, trainees and trainers interested in the topic. It proved successful in acquainting JOST employees with this sensitive issue.

Occupational health and safety

We have identified occupational safety and health as a topic with particular relevance to JOST's business operations. As a manufacturing company in which production and warehouse staff are exposed to an increased health risk, we have a responsibility to provide a safe working environment for our entire workforce. Prevention – stopping workplace accidents from happening in the first place – is particularly important to JOST. We therefore set high safety standards across the Group when dealing with dangerous substances and other potential hazards. We also believe in the importance of raising the safety awareness of our employees and adding to their skills. Regular information, instruction, training and further education courses, whether legally required or voluntary, help us to achieve high safety standards and enable us to maintain and encourage safe working practices in all areas of the Group, both industrial and commercial, and in all of our sites.

In order to identify hazards, we carry out regular workplace inspections, which also include risk assessments, at our production sites. These inspections are carried out by the head of the department, the works council, the company doctor, the safety officer and an employee from the operational area being inspected. Various types of risk, such as mechanical or physical hazards, are evaluated during the inspection. If a potential hazard is discovered, the same group carries out a joint risk assessment and initiates effective preventative or remedial action.

Near-accidents must also be reported to a line manager in order to enable an immediate direct response, such as providing additional sensitization training for employees. In the event of an accident, JOST produces an accident analysis immediately and initiates measures designed to avoid a future re-occurrence. Guidelines are often re-drafted and re-issued for the specific purpose of preventing another similar accident. These procedures rely on active communication and discussion between our employees and the divisional managers.

External audits are also conducted as part of the certification of our management systems. We are certified in accordance with DIN ISO 9001 (quality), DIN ISO 14001 (environment) and OHSAS 18001 (occupational safety). More information can be found on our website under → <https://www.jost-world.com/en/corporate/sustainability/certificates>.

We record and evaluate work-related accident figures at regular intervals. In the 2018 reporting year, the Group-wide rate of reportable accidents per 1,000 employees improved to 20 (previous year: 22). Our aim is to continually reduce the number of accidents at work.

Workplace accidents



▶ **20 / 1,000** – Improved Group-wide rate of reportable accidents per 1,000 employees (previous year: 22/1,000).

Human rights

Our internal analyses have emphasized the importance of the observance of human rights and the prevention of forced and child labor. We therefore consider these to be essential. We comply with national and international human and labor rights as a matter of course. Protecting and respecting every human being is of the utmost importance for JOST and becomes an essential aspect of our responsibility as a company with global operations.

We condemn all forms of discrimination for reasons such as ethnic origin, religion, political views, gender, physical constitution, appearance, age or sexual orientation. To underline our commitment, clear anti-discrimination rules are included in our JOST Code of Conduct, which is applicable worldwide. We also recently introduced a whistleblowing system, which employees can use to report violations of human and employee rights anonymously (more information on this under “Compliance”).

In addition to monitoring compliance at our own sites, we are also keen for our suppliers to comply with sustainability standards and human rights. In 2018, we prepared a comparable Supplier Code of Conduct, which has already been signed by a large portion of our suppliers.

Overall, we wish to point out that, according to the analysis of the sustainability risks of raw materials carried out by “Drive Sustainability, the Responsible Minerals Initiative” in 2018, the risks of child labor, forced labor or human rights violations in connection with the production and processing of steel – our principle raw material – are considered to be low.

Compliance

In the structure of a German stock corporation (Aktiengesellschaft – AG), the Supervisory Board of JOST Werke AG supervises the Management Board, which is responsible for the strategic and operational management of the Company. In line with the underlying concept of the German Corporate Governance Code, the JOST Executive Board and Supervisory Board are responsible for ensuring the continued existence of the Company and sustainable value creation in line with the principles of the social market economy. As a result, good corporate governance, integrity, comprehensive compliance and the ethical conduct of every manager and employee are firmly established elements of JOST’s corporate management.

Compliance with laws and standards

Overall responsibility for the Group’s compliance with laws, standards and policies rests with the Management Board, who reports to the Supervisory Board in this context. In order to perform its duties, the Management Board has delegated certain relevant tasks to various functional areas within the JOST Werke Group.

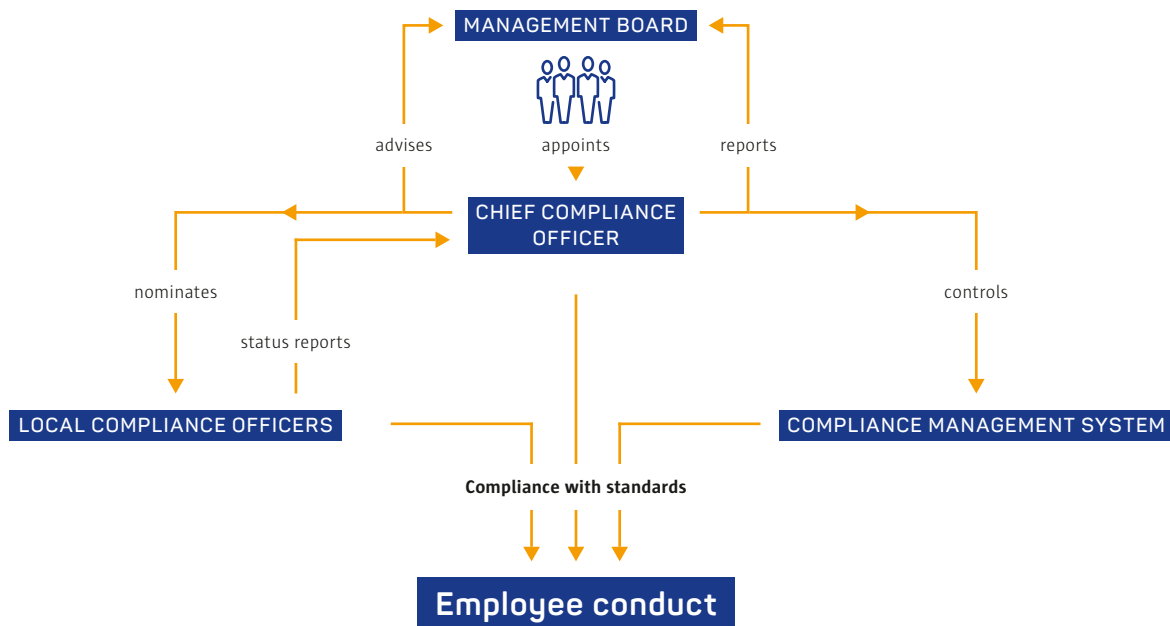
The Chief Compliance Officer (CCO) monitors and controls compliance with laws, standards and internal Group policies and, with the aid of our compliance management system, supports our employees in their efforts to maintain regulatory compliance. The CCO is appointed by the Management Board and reports directly to the Chief Financial Officer. He is also responsible for the compliance management system and advises the Management Board on all matters related to compliance.

The CCO recommends compliance officers for the subsidiaries, continuously reviews compliance at JOST and advises the Management Board on general compliance goals as well as specific compliance measures that need to be implemented at JOST and the subsidiaries. If potential compliance incidents are reported or detected, he also supervises the procedure and any possible investigative measures.

The local compliance officers support the CCO in all compliance-related communications carried out at the local level and in the introduction of specific compliance measures in the subsidiaries. The local compliance officers report regularly to the CCO on the status and progress

of compliance measures introduced in their subsidiaries and on the occurrence of any compliance incidents. An important responsibility of the local compliance officers and the CCO is advising employees in the respective local unit on compliance-related issues.

Compliance with laws and standards



Anti-corruption and bribery matters

The JOST Werke Group's internal Code of Conduct, and the legal requirements and ethical principles it contains, is a key component of the compliance management system. It provides an essential basis for the day-to-day actions of our employees and managers.

In 2018, we carried out a fundamental revision of JOST's whistleblower system. It is now managed by an external service provider. This makes it easier for employees, contractual partners and other third parties to provide information about misconduct while at the same time maintaining absolute confidentiality and anonymity. The whistleblower system is available to employees not only via the Internet and intranet but also by telephone in their own local language.

Two reports were filed in the 2018 fiscal year (previous year: 0). Despite intensive investigations, none of the compliance incident reports was substantiated.

In the 2018 fiscal year, we interviewed a number of JOST management-level employees from different divisions and different countries on their understanding of compliance, the current compliance situation and about the specific compliance risks at their own locations. Based on our findings, concrete improvement measures were introduced in 2018. This initiative will be repeated in 2019 in order to target the prevention of compliance violations more precisely in the future and also to speed up their detection.

JOST Supplier Code



Available on the Internet at:
https://www.jostinformationcentre.com/static/upload/pdf/terms-and-conditions/Code_of_Conduct_Supplier_EN_2018.pdf

In 2018, JOST developed a Supplier Code of Conduct, which is currently being integrated into all existing and future supplier relationships. The supplier code is available on our website. This is a particularly important development because, according to the analysis of “Drive Sustainability, the Responsible Minerals Initiative”, corruption poses a high sustainability risk in iron smelting, as many countries in which metals are extracted have weak governments and inadequate legal systems, and suffer from high levels of corruption. Therefore, also our suppliers are exposed to this risk.

JOST’s share of consolidated sales produced in countries with a corruption index of <60 was around 17.9% in the 2018 fiscal year (previous year: 16.3%). Initiatives for the early detection and prevention of corruption are therefore particularly important.

Prevention of corruption



▶ **17.9% of consolidated sales produced to countries with a corruption index of < 60%** (previous year: 16.3%)

E-learning courses are planned for 2019 that will familiarize employees with various topics from the field of compliance. Moreover, we will be increasing our efforts to inform employees who do not have access to their own computer, for example, by offering classroom training and by distributing printed versions of the Code of Conduct and other guidelines.

Politics and community

The JOST Werke Group or its local units do not exercise political influence.

JOST is involved in voluntary social projects at local level to strengthen communities. However, our social activities are not subject to any overarching central management process and we do not pursue an integrated Group-wide approach that actively manages dialog at a local and regional level. Instead, activities are organized locally and implemented individually in the areas where our sites are located. As an employer, we make a direct and important contribution to the positive economic development of the communities where we operate by creating local jobs.

We are pleased to report on a particularly successful project at our site in Poland. In the 2018 fiscal year – to mark our 10th anniversary – a campaign was carried out in Poland, in which employees volunteered to join one of ten groups whose members met regularly to take part in a particular activity, such as learning a new language, performing a daily exercises, establishing healthier diets or helping out with local charitable projects. When one of the goals was reached, a sum of money was donated to children in need. Employees from other JOST sites were also able to join in the campaign. This further strengthened the sense of community within the Group.

Negative impact and risks arising from business activities

All the significant risks associated with JOST’s business activities are included in the Company’s risk reporting, which also covers non-financial risks that are significant for JOST. A detailed description can be found in the “Risk Report” section of this Annual Report.

According to our estimates, our business activities and our products and services do not give rise to any material risks that could have a serious negative impact on employees, the environment or society.

The Management Board of JOST Werke AG

Neu-Isenburg, March 14, 2019

INDEPENDENT ASSURANCE REPORT ON THE SUSTAINABILITY REPORT

INDEPENDENT PRACTITIONERS’ LIMITED ASSURANCE REPORT ON NON-FINANCIAL REPORTING

JOST Werke AG, Neu-Isenburg, prepared a separated non-financial report pursuant to Section 315b Para. 3 HGB et seq. (German Commercial Code) for the period from January 1, 2018, to December 31, 2018, which is integrated in the non-financial report of the parent company in accordance with Section 289b Para. 3 HGB (hereinafter the “non-financial report”). Pursuant to section 315b Para. 3 No. 2 Letter b) HGB, the non-financial report was published together with the Annual Group Report for fiscal year 2018. The non-financial report is published in the “Sustainability Report” section of this Annual Group Report. The auditing firm SPALL & KÖLSCH GmbH Wirtschaftsprüfungsgesellschaft has performed a limited assurance engagement on the German version of the non-financial report and issued an independent practitioners’ report, authoritative in German language which has been translated as follows:

To the Supervisory Board of JOST Werke AG, Neu-Isenburg

We have been engaged to perform a limited assurance engagement on the non-financial report of JOST Werke AG, Neu-Isenburg (hereinafter the “Company”) in accordance with Section 315b Para. 3 HGB et seq. (German Commercial Code), which is integrated in the non-financial report of the parent company in accordance with Section 289b Para. 3 HGB, for the period 1 January to 31 December 2018. The audit of information regarding prior years was not within the scope of our engagement.

Management’s responsibility

The officers of the company are responsible for the preparation of the non-financial report in dependence on the German Sustainability Code (Deutscher Nachhaltigkeitskodex, hereinafter the “DNK”) and in accordance with Section 315b and 315c in conjunction with 289c to 289e of the HGB.

This responsibility of Company’s officers includes the selection and application of appropriate methods of sustainability reporting as well as making assumptions and estimates related to individual sustainability disclosures, which are reasonable in the circumstances. Furthermore, the officers are responsible for such internal control as they have considered necessary to enable the preparation of the non-financial report that is free from material misstatement, whether due to fraud or error.

Audit firm’s independence and quality control

We are independent of the company in accordance with the provisions under German commercial law and professional requirements, and we have fulfilled our other ethical responsibilities in accordance with the relevant provisions within these requirements.

Our audit firm applies the German national legal requirements and the German profession’s pronouncements for quality control, in particular the by-laws regulating the rights and duties of Wirtschaftsprüfer and vereidigte Buchprüfer in the exercise of their profession (Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer) as well as the IDW Standard on Quality Control 1: Requirements for Quality Control in Audit Firms [IDW Qualitätssicherungsstandards 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis (IDW QS 1)].

Practitioners' responsibility

Our responsibility is to express a limited assurance conclusion on the non-financial report, based on the assurance engagement we have performed.

Within the scope of our engagement we did not perform an audit on external sources of information or expert opinions, referred to in the non-financial report.

We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): "Assurance Engagements other than Audits or Reviews of Historical Financial Information" published by IAASB. This standard requires that we plan and perform the engagement to obtain limited assurance whether any matters have come to our attention that cause us to believe that

- the non-financial report of the Company for the period 1 January to 31 December 2018 has not been prepared, in all material respects, in dependence on the DNK,

and

- the non-financial report of the Company for the period 1 January to 31 December 2018 has not been prepared, in all material respects, in accordance with Section 315b and 315c in conjunction with 289c to 289e of the HGB.

We do not, however, issue a separate conclusion for each disclosure. In a limited assurance engagement the evidence-gathering procedures are more limited than for a reasonable assurance engagement and therefore significantly less assurance is obtained than in a reasonable assurance engagement. The auditing firm is responsible for the selection of evidence-gathering procedures, according to their reasonable discretion.

Within the scope of our engagement we performed amongst others the following assurance procedures and further activities:

- Obtaining an understanding of the structure of the sustainability organisation and of the stakeholder engagement;
- Evaluation of the design and implementation of systems and processes for the collection, processing and monitoring of disclosures on environmental, employee and social matters, respect for human rights, and combating corruption and bribery, including data consolidation,
- Inquiries of personnel involved in the preparation of the non-financial report regarding the preparation process, the internal control system relating to this process and selected sustainability information;
- Evaluation of selected internal and external documents,
- Identification of the likely risks of material misstatements of the non-financial report;
- Analytical evaluation of selected sustainability information of the non-financial report;

- Comparison of selected sustainability information with corresponding data in the consolidated financial statements and in the group management report;
- Assessment of the presentation of selected sustainability information.

Conclusion

Based on the assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that

- the non-financial report of the Company for the period January 1, to December 31, 2018 has not been prepared, in all material respects, in dependence on the DNK,

and

- the non-financial report of the Company for the period January 1, to December 31, 2018 has not been prepared, in all material respects, in accordance with Section 315b and 315c in conjunction with 289c to 289e of the HGB.

Restriction of Use / Clause on General Engagement Terms

This report is issued for purposes of the Supervisory Board of JOST Werke AG, Neu-Isenburg, only. We assume no responsibility with regard to any third parties.

Our assignment for the Supervisory Board of JOST Werke AG, Neu-Isenburg, and professional liability is governed by the General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften (Allgemeine Auftragsbedingungen für Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften). By reading and using the information contained in this assurance report, each recipient confirms the limitation of our liability for negligence to EUR 4 million as stipulated in No. 9) and accepts the validity of the General Engagement Terms with respect to us.

Kronberg, March 14, 2019

Spall & Kölsch GmbH

Wirtschaftsprüfungsgesellschaft (Auditing firm)
[Original German Version signed by:]

Christian Spall
Wirtschaftsprüfer
[German Public Auditor]

Karsten Kölsch
Wirtschaftsprüfer
[German Public Auditor]

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