Report on
Corporate Responsibility 2019

Quanex
building products
Our Business

At Quanex Building Products Corporation (“Quanex”), we conduct our business in accordance with an abiding set of core values that we call the Quanex “CREED”:

C ontinuous Improvement and Innovation
R espect with Open and Honest Communication
E xcellent Customer Service
E xemplify Safe and Healthy Living
D o the Right Thing

In accordance with our CREED, we strive to make a positive impact on the world and to be a responsible corporate citizen everywhere we operate. Our research and development teams are continuously on the hunt for innovative products and practices, and we continually work toward potential improvements in all aspects of our business. At all times and in all places, we seek to engage our employees, our suppliers and our customers to collectively help make the world a better place. We seek to satisfy this goal on a number of fronts:

- Energy-efficient window and door products that reduce costs while saving energy;
- Environmental, health and safety excellence;
- Engagement with our employees, suppliers and other stakeholders;
- Support of local communities and causes; and
- The promotion of diversity and human rights wherever possible.
For decades, Quanex and its family of businesses have been industry leaders in the development and production of energy-saving components for residential and commercial windows and doors.

**Warm-Edge Insulating Glass Spacer**
A current subsidiary of Quanex introduced the first “warm edge” insulating glass spacer in 1978. Incorporation of warm-edge spacer into a window greatly reduces the transfer of heat energy as compared to traditional metal spacers. This not only reduces a homeowner’s heating and cooling costs, it also decreases the amount of carbon-based energy needed to control building temperatures. Our warm-edge spacer is used in LEED-certified buildings around the world, and we continue to assist our customers as they work to achieve LEED certification status.

**Domestic Vinyl Window Extrusions**
Beginning in 1969, another Quanex subsidiary was one of the earliest U.S.-based designers and producers of window components made from vinyl, which has a number of advantages over other materials. Vinyl window frames are extremely low-maintenance, do not require painting and sealing, and are generally more durable than other options, often outlasting the structures in which they are installed. In addition, vinyl windows are more energy-efficient than other options and, because they last longer, will result in lower consumption of energy and materials as part of the manufacturing effort over the long term. We believe that one of our U.S. vinyl extrusion lines, EnergyQuest™, is the most energy-efficient vinyl profile in the world.
Solar Edge Tape For almost two decades, Quanex has sold a large amount of solar-edge tape to some of the world’s largest solar panel manufacturers. This tape increases the lifetime energy production of a solar panel and thereby contributes to more efficient solar energy production and a reduction in overall carbon emissions for worldwide electricity.

Flashing Tape Quanex has sold a flashing tape since 2001 that is used by building contractors to create air barriers around windows and doors and to seal other penetration points within a building. This flashing tape helps to reduce air infiltration in a building and thereby lessens the building’s heating and cooling energy requirements.

International Vinyl Window Extrusions HL Plastics, our UK-based vinyl extrusion company, is also a leader in the production of cost-effective and thermally efficient vinyl window extrusions. Its Liniar window system is among the most energy-efficient on the market and passes numerous stringent regulations, including PassivHaus standards and both thermal and acoustics ratings promulgated by the World Health Organization. It has also been used in numerous energy-efficient building projects throughout the United Kingdom.

Looking Forward In its 2014 Window and Building Envelope Roadmap for Emerging Technologies, the United States Department of Energy (DOE) focused on the energy-savings potential of windows in residential and commercial buildings. According to the Roadmap, buildings accounted for 39% of total carbon dioxide emissions and 41% of total United States energy consumption, which was estimated at 91 quadrillion BTUs. Windows alone contributed an estimated 4.3 quadrillion BTUs of energy loss. The DOE concluded that better-insulated windows could actually be energy-neutral overall, as solar heat gain in colder climates could offset heat losses through the frame and glass. The DOE has targeted a 50% reduction in energy loss through the building envelope by 2025. The use and promotion of more energy-efficient windows will necessarily be a significant contributor to meeting this goal, and Quanex is working every day to develop components to this end. We will continue to seek opportunities to improve the energy efficiency of our products. At the same time, we will pursue continuous improvement of our production processes across our business to increase our yield, reduce our scrap and otherwise minimize our footprint on the environment.
Our Commitment to Environmental, Health and Safety Excellence

At Quanex, we recognize that our employees are our most important asset, and we strive to do all we can to ensure that our workers return home safely each and every day. At the direction of our chief executive officer following his appointment in 2013, our director of environmental, health and safety has led the organization on its journey to become a “world class” company with respect to safety, and we have made great strides. We have undertaken a number of large-scale projects and invested extensive funds to add guarding to a number of machines across our business. In addition, we have implemented a number of robotic solutions for certain repetitive and ergonomically difficult applications, and we have focused extensively on training our associates with respect to safe operational practices. Most of our facilities conduct an annual “Safety Day,” which involves a full-day shutdown so that plant employees can focus exclusively on personal and professional safety. We also created the “Cardinal Safety Rules,” a stringent set of vital and fundamental rules governing our safety efforts, which must be followed as a condition of continued employment. Our efforts in this regard have clearly made a difference.

Since our CEO launched a formal safety improvement effort in 2013, our Total Recordable Incident Rate (TRIR) has decreased by approximately 52%, and our Days Away, Restricted or Transferred rate (DART) has decreased by approximately 59%. For the 2019 fiscal year, our TRIR was 2.1 and our DART was 1.1. While we know we still have work to do, we are extremely pleased with our progress so far, and we are committed to continuing our efforts in the future.

On the environmental front, we work extensively to minimize our impact and help to promote sustainable practices. The HL Plastics facility located in Denby, Derbyshire, in the UK, is ISO 14001-accredited. It operates an in-house recycling facility and, since 1994, has used its own scrap to produce its outdoor range of fully or partially recycled products. Similarly, our U.S. vinyl components business recycles almost all of the vinyl scrap it creates and even repurchases and then recycles scrap from some of its customers, while our window screens business recycles waste cardboard containers at all of its facilities. Our cabinet components business partners with a number of third parties to recycle or repurpose much of the sawdust and wood chip waste that result from its manufacturing process, and waste sawdust that is not recycled or repurposed is used as an alternative fuel to fire our drying kilns.
In addition, our cabinet components business takes extensive steps to ensure that its raw materials are responsibly and sustainably harvested in compliance with the Lacey Act. The business is an active member of the International Wood Products Association, the Lakes States Lumber Association, the Indiana Hardwood Lumber Association, the Kentucky Forest Product Association, the Penn-York Lumberman’s Association, the North East Lumberman’s Association and the Ohio Forestry Association.

We also engage outside compliance consultants to periodically review our purchasing processes, and we regularly visit our suppliers to ensure that they remain engaged in legal and ethically responsible sourcing practices.

Along with our efforts to ensure that we minimize our footprint on the environment, we take additional steps throughout the organization to assess and manage the risks associated with any chemicals that are used in our products. Our North American cabinet components segment takes appropriate and ongoing action to ensure that its composite products fully comply with both California Air Resources Board (CARB) and EPA Toxic Control Substances Act Title XI (TSCA) formaldehyde emission regulations. Likewise, our North American Fenestration segment continually monitors all chemicals used in its products to ensure that we remain compliant with applicable regulations, including REACH and California’s Proposition 65, and that any potentially harmful chemicals do not pose an undue risk to our employees, customers or any eventual end-users of our products.
Our Support for Local Communities and Causes

Many of our facilities are located in small towns where we are often one of the largest local employers. We know that we play an important role in these towns, and we take this responsibility very seriously. To better support our hometowns and the causes that are important to our employees, we maintain a 501(c)(3) nonprofit company known as the Quanex Foundation. The Foundation is centrally managed from our corporate office in Houston, but it touches communities around the United States, both through direct donations to local charities and also through its employee donation matching program.

Since the spin-off of Quanex Building Products Corporation in 2008, the Quanex Foundation has donated more than $3.5 million to hundreds of charities, and we will continue with this initiative in the future. On top of these monetary donations, our facilities and their employees actively donate their time and effort to various charitable causes across the board, from park cleanup efforts and food or clothing drives to organizing Relay for Life teams and partnering with local schools on curriculum development.
Our Engagement With Employees, Suppliers, Customers and Other Stakeholders

Alert Line
We value the input and engagement of our employees and other stakeholders, and we strive every day to ensure that everyone understands that they can approach us with any concern without fear of reprisal or retaliation. To that end, we maintain and publicize a confidential Alert Line that is open to anyone and allows submission of communications via telephone, email or the internet. When a report is made to the Alert Line, it is immediately routed to both our chief compliance officer and vice president of internal audit for appropriate review, investigation and response. In the event a report relates to any allegation of fraud or accounting misconduct, it is shared with the chair of our audit committee, while all Alert Line reports and associated investigations and outcomes are summarized for the full board on an annual basis.

Code of Supplier Conduct
We maintain and enforce a robust Code of Supplier Conduct, which can be found on our corporate website and which we share with all suppliers as a condition of doing business. Our Code of Supplier Conduct requires that our suppliers take appropriate steps to protect the health, safety and human rights of its own employees and stakeholders; affirms the importance of maintaining sustainable and environmentally friendly practices; and ensures that we are working with ethical, honest and transparent companies.

Anticorruption/Antibribery Efforts
As part of our international sales effort, we have engaged a number of distributors and sales agents around the world. We have enacted a thorough due diligence process to ensure that, before we enter into a relationship, we understand and are comfortable with any such company’s management, business and ethical commitments. As with our supply chain, we make it very clear to these independent contractors that we expect them to comply with all applicable anticorruption and antibribery laws and that we will not accept unethical business conduct. In addition to building these formal requirements into our contracts, our legal team provides extensive in-person training on a periodic basis on issues related to corruption, antibribery, trade sanctions and general ethical principles.
We firmly believe that every human being has certain fundamental and inalienable rights, and we think it is important that we take steps to protect those rights wherever possible. To that end, we have implemented both a Code of Supplier Conduct and a Human Rights Policy that codify our commitment to treating people with fundamental dignity and our expectation that our suppliers will do the same. In accordance with these policies, we prohibit child labor and slave or forced labor. We affirm the importance of fair labor standards, including the right to freely associate, the right to reasonable hours and wages, and the right to be free of harassment or violence in the workplace. In addition, these policies serve to confirm our ongoing commitment to abiding by all applicable laws and regulations, including those related to competition, anticorruption/antibribery, conflict minerals and trading sanctions. We also consistently communicate the Quanex CREED to our employees and other stakeholders in order to confirm and reiterate the importance of doing business the right way.

In addition to the steps we have taken to protect the rights of our employees and those of our suppliers, we also recognize the importance of diversity in the workplace. Studies have consistently demonstrated that diverse groups make better decisions, and we seek to maintain a diverse organization that considers differing viewpoints wherever possible.

While the company has no formal policy relating to diversity, we in fact employ an extremely diverse workforce across our plants, and we look for opportunities to advance qualified minority and female employees whenever possible. We also consider diversity of experience and background in considering the engagement of potential directors in an attempt to ensure that our board incorporates as many diverse viewpoints as possible.
While we are proud of the efforts we have already made to promote sustainable products and practices and to otherwise ensure that we are a responsible corporate citizen, we recognize that work remains and that improvement can always be achieved. As with many of our peer companies, we are relatively early in the life cycle of implementing more formal sustainability efforts and programs. However, Quanex and its board understand and respect the importance of environmental, social and governance issues, and we will continue to consider and incorporate such factors into our decision-making process as we move forward into the future.