

Corporate Social Responsibility Report

April 2021

Statement from the CEO of CLN Coils Lamiere Nastri S.p.A. (GRI102-14)

The presentation of our Corporate Social Responsibility report this year is set against the terrible impact that COVID-19 has had worldwide. The impact was, and continues to be, unprecedented, and our focus in the short term has been above all to protect our employees and collaborators, whilst managing the business to the best of our abilities without taking undue health risks. The social and economic repercussions of COVID-19 will continue for some time, and this will unfortunately take its toll on society, perhaps changing the way we work and behave for the foreseeable future. That said, we have not lost sight of fact that CLN has long term commitments to sustainability, and we are determined to respect these commitments and to maintain our principles despite the difficult circumstances. Indeed, the effect of the crisis has caused us to rethink the way we work, for example by changing our policy on travel to reduce our carbon footprint or by adopting different models of smart-working.

The effect of COVID-19 on vehicle sales has of course been significant in all the regions where we act. We continued to work closely with our customers to adapt to the new circumstances, and to ensure that the Group will continue to be a reliable partner for high quality metallic components.

In the medium term, we expect most of the broader trends affecting our organization's sustainability to remain the same. The reduction of our carbon footprint will continue to be a key challenge for us. Respect for the environment and our commitment to work ethically will continue to be key to our philosophies. Perhaps the main new challenge in the next few years will be to adapt the way we work safely within this new COVID-19 environment, and we are determined to meet this challenge and succeed. Key to this will be the continued support of our team worldwide, who have shown a high level of adaptability so far since the start of the crisis, often in very trying circumstances, and I would like to thank them for having risen to the challenge in such a robust manner.

We recognize that the current crisis has had a significant impact on our suppliers and urge them also not to lose sight of the need to keep to the path of sustainability and to work closely with us to overcome these difficult times.

I would like to highlight the following key events, achievements and matters for improvement during 2021:

- This report has been prepared in accordance with the GRI Standards: Core option (GRI102-54). The Global Reporting Initiative guidelines published in 2020, known as GRI Sustainability Reporting Standards, are widely used for sustainability reporting and will help CLN Group to enhance transparency.

- Unfortunately, COVID-19 has had an adverse effect on our training initiatives during 2020, with training hours per person falling, and we will therefore place more emphasis on training during 2021.
- The Group took a step forward during 2020 in highlighting the need for vigilance regarding Business Ethics issues. A new Business Ethics Policy and Code of Conduct was formally introduced, and top management all received training to give guidance and clarity on this important topic.
- During 2021 we will better align our Environmental approach to the requirements of our customers and society in general. A new Environmental Policy is currently being rolled out, together with training modules for our EHS Officers worldwide.
- It is pleasing to report that, despite considerable challenges to managing day to day operations in the plants during 2020, our teams have stayed focused on ‘safety first’ – the frequency rate of accidents continued the downwards trajectory we have seen over the last few years.
- Our commitment to the introduction of ISO14001 and ISO45001 unfortunately suffered some delay in 2020 due to the impossibility for the auditors to visit the plants. We are confident however that we can catch up.

During 2020 the Group’s Board of Directors set medium term targets to be achieved by 31 December 2025, in order to better focus the group on the key priorities of the Group’s Stakeholders – greenhouse gas emissions, low carbon energy, water use, tree planting, diversity and ethics. The performance against these targets will be reported to the CLN Board of Directors on an annual basis. The 2020 results are as follows, and are discussed in more detail in this report:

CLN Group Board of Director's targets 2025	Target 2025	2020
Percentage of women in the workforce	19%	14%
Certification to ISO14001	100%	89%
Certification to ISO45001	100%	64%
Scope 1+2 greenhouse gas emissions adjusted for green energy purchased	reduction of 14.5%	Reduction of 22% (COVID impacted)
Accumulated number of trees planted	5,000	4,500
Cubic metres of water used	Reduction of 29%	Reduction of 18% (COVID impacted)
Percentage of energy from low GHG sources	71%	21%
Hours of training on ethics topics	3	1.4

I would like to conclude by emphasizing that at CLN our commitment to the Principles of the United Nations Global Compact to meeting the highest international standards for health, safety and the environment, to respecting human rights and to an ethical approach to business will continue to be a key focus for the Group, despite the unprecedented challenges we are facing. Working together with our stakeholders to stay on a sustainable path is more important than ever.

Gabriele Perris Magonetto

CEO

CLN Coils Lamiere Nastri S.p.A.

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Introduction to CLN

This Corporate Social Responsibility Report (the ‘CSR Report’) has been prepared for CLN Coils Lamiere Nastri S.p.A. (GRI102-1) and its subsidiaries (hereinafter also referred to as ‘the Group’ or ‘CLN’) for the year ended 31 December 2020 (GRI102-50). CLN Coils Lamiere Nastri S.p.A. is a joint stock company (Società per azioni) incorporated in Italy (GRI102-5). 75% of the Group’s shares are owned by the Magnetto family with the remaining 25% being owned by the steel and mining company, ArcelorMittal.

The previous CSR Report for the year ended 31 December 2019 was published in April 2020 (GRI102-51) and it is the intention of the Group to prepare a CSR Report annually (GRI102-52). The Group has not sought external assurance for its CSR Report and does not intend to do so (GRI102-56).

The Group has been operating in the steel sector since 1948. It is one of the main international players engaged in processing and assembly of metal components (steel and aluminum) for the automotive industry through two divisions (GRI102-2):

MA | automotive metal components division
MW | steel wheels division

The Group is also active on the European market of steel distribution and re-rolling with its Steel Service Centre businesses.

The Group’s objective is to be among global leaders in the development, industrialization, and assembly of high-tech steel and aluminum products, in order to provide customers with tailor-made services and solutions and to become their point of reference in terms of product excellence.

The headquarters of the Group are located at Corso Susa 13/15, 10040 Caselette (TO), in Italy (GRI102-3). The Group operates worldwide with subsidiaries and joint ventures in 13 countries and has significant operations in Italy, France, Germany, Poland, Romania, Slovakia, Portugal, Russia, South Africa, Turkey and Brazil (GRI102-4). The Group supplies its components to several of the global Automotive OEM’s from these locations, as well as some steel wheels to aftermarket distribution networks (GRI102-6).

Based on the preliminary unaudited closing of CLN, net sales for the year ended 31 December 2020 were approximately 1,120 million euros and total capitalization as at 31 December 2020 was 582 million euros, comprising debt of 467 million euros and equity of 115 million euros (GRI102-7).

Corporate governance (GRI102-18)

The main corporate governing bodies of CLN, are the Shareholders, the Board of Directors, the Board of Statutory Auditors, and the Supervisory Board, in accordance with Italian Legislative Decree n° 231/2001.

During Shareholder's meetings, deliberation is carried out by way of majority vote concerning topics defined by law and by corporate charter. The choice of members of the Board of Directors and the Board of Statutory Auditors, as well as the approval of the Financial Statements, are decided at the Annual Meeting of Shareholders.

The CLN Board of Directors operates through two CEOs (one of which is also the Chairman of the Board) and a Director with certain powers of representation. The Board carries out – among other functions – the analysis, sharing, and approval of annual budgets as well as monitoring the strategic, business, CSR and financial plans of the Group.

The Board of Directors includes eleven members (three female and eight male) representing all the shareholders. Aurora Magnetto, who is CLN Chairman, and Gabriele Perris Magnetto are both Chief Executive Officers, while Vincenzo Perris is the Director with representative powers.

The Board of Statutory Auditors monitors compliance with the law and corporate charter, respect of the principles of good management, and the suitability of the organizational, administrative, and accounting structure implemented by the company, as well as the effectiveness thereof. It closely liaises with the external auditors, the main role of which is to monitor the reliability of the company's administrative and accounting system for the purpose of the correct preparation of the Financial Statements.

The corporate governing bodies have the following composition (GRI405-1):

<u>Board of Directors by number</u>	2018		2019		2020	
Age	Male	Female	Male	Female	Male	Female
< 30 years	0	1	0	1	0	1
30 - 50 years	1	0	3	0	3	0
≥ 50 years	6	2	5	2	5	2

<u>Board of Directors by %</u>	2018		2019		2020	
Age	Male	Female	Male	Female	Male	Female
< 30 years	0%	10%	0%	9%	0%	9%
30 - 50 years	10%	0%	27%	0%	27%	0%
≥ 50 years	60%	20%	46%	18%	46%	18%

<u>Board of Statutory Auditors</u>	2018		2019		2020	
Age	Male	Female	Male	Female	Male	Female
30 - 50 years	1	2	2	1	2	1
≥ 50 years	2	0	2	0	2	0

The Supervisory Board monitors implementation and the constant update of Legislative Decree n° 231/2001 within the company. Its powers and activities include supervision of compliance with the above Decree, the assignment of disciplinary sanctions for breach of its rules and the update and promotion of the decree among its addressees.

Corporate values and reputation (GRI102-16)

In March 2016 the Board of Directors of the Group approved the CLN Group Code of Ethics. The Code of Ethics sets out a series of ethical principles and a code of conduct that serve as a guide for its activities and those of its subsidiaries, with the purpose of promoting a strong ethical foundation and a corporate culture which respects the laws in force in the different countries in which it operates.

The values, policies, and commitments to which the Group are committed are communicated to the site's workers in their local language, and the following CSR related

documents are publicly accessible on the Group's website (<https://www.gruppocln.com/en/download>):

- Code of Ethics
- Corporate Social Responsibility Report
- Business Ethics Policy and Code of Conduct
- Whistleblowing Policy
- Health and Safety Policy
- Labour and Human Rights Policy
- Policy on Working Conditions
- Equality and Diversity Policy
- Travel Policy
- Smart Working Policy
- Environmental Policy

Senior management of each region is periodically formally required to confirm to the CEO of the Group that the Code of Ethics and supporting policies continue to be respected in their region.

The Group is committed to comply with all applicable laws, regulations and formal agreements in the countries in which it operates, as set out in its Business Ethics Policy and Code of Conduct.

This CSR Report is prepared for and approved by the Board of Directors to update CLN's stakeholders on the efforts made to ensure the Group's corporate values are upheld.

Corporate Social Responsibility ('CSR') within the Group

CLN Group adopts a precautionary approach to CSR. The Group believes that any of its activities which have the potential to cause harm to the environment or to the safety or well-being of employees or to its Corporate reputation must be managed in such a way as to eliminate or mitigate such potential harm before it occurs - there is an emphasis to be 'better safe than sorry'. In order to ensure the application of this approach, and due to the increasing importance in society of topics related to CSR, the Group is undertaking a ongoing process of implementation of a broad range of social and sustainability actions, policies and procedures that emphasize a cautious approach to all its activities (GRI102-11).

CSR guidance and leadership is carried out by a team working at Head Office which includes representatives of all the main corporate departments, in order to guarantee a uniform approach and suitable sharing of information and responsibility.

The CSR team reports to a Member of the CLN Board, Beatrice Perris Magnetto, who is the senior executive responsible for the Group's CSR activities, and she in turn reports to the Group's Board of Directors. The Board of Directors is the highest governance body in the Group responsible for risk management, sustainability reporting and evaluating economic, environmental and social performance. The Board is supported by a Group CSR Officer who is responsible for implementing the values, policies and commitments defined by the Group, CSR management for the Group, and coordination of major CSR activities within the Group. The Group CSR Officer is also the contact point for all questions regarding this report, its contents and advice and concerns about ethics, unlawful behavior and for CSR matters in general (GRI102-53, GRI102-17). The CSR team includes a manager for each pillar of CSR: environmental issues; labor practices and human rights; sustainable procurement; business ethics; customer requirements; finance; KPIs/GRI metrics; and interfaces with the MA and MW Divisions. In order to cascade CSR requirements into the regions, CSR interfaces have been nominated in each of the countries in which the Group has a subsidiary (GRI102-18).

The key priorities of the Group regarding CSR are given by the Group's Board of Directors. In order to monitor progress, in addition to the GRI indicators included in this report, the Group's Board of Directors has set medium term targets to be achieved by 31 December, 2025, based on its assessment of the Material topics affecting the Group discussed later in this CSR Report. The Board of Directors will monitor the evolution of these targets on an annual basis:

- Percentage of women in the workforce to enhance diversity; **2025 Target: 19%** (2019: 14%)
- Percentage of plants certified to ISO14001 (Environment) and ISO45001/OHSAS18001 – Health and Safety ('H&S'); **2025 Target: 100%** (2019: ISO14001: 89% & ISO45001/OHSAS18001: 64%)
- Adjusted Scope 1+2 GHG emissions in support of Paris Agreement; **2025 Target: reduction in metric tons of emissions of 14.5%** (2019: 114.176 metric tons)
- Number of trees planted to promote enthusiasm for the environment and biodiversity; **accumulated to end 2025 Target: 5000 trees** (accumulated to end 2019: 1,200 trees)
- Cubic metres of water used: **2025 Target: reduction in water used of 29%** (2019: 542,120 cubic metres)
- Percentage of energy purchased from renewable sources: **2025 Target: 71% of energy purchased from renewable or low GHG (incl. nuclear) sources** (project started in 2020: estimation 21%)

- Hours of training on Ethics (anti-competitive behaviour, corruption, bribery, conflict of interest, fraud, money laundering, IT security); **2025 Target: 3 hours per year per white collar employee** (2019: 1 hour)

Targets and GRI indicators contained in this report are monitored by the CSR team who request corrective action and improvement measures where required and inform the Board of Directors periodically on progress.

Basis of preparation of the CSR Report

The CSR Report is an important tool through which the Group can communicate its initiatives regarding environmental issues, sustainability, health & safety, social issues, labour practices, human rights, ethics and sustainable procurement to its stakeholders. The CSR Report aims to promote activities which support CLN's intention to be a socially responsible enterprise.

The subsidiaries of the Group can be found in the Group's Consolidated Financial Statements which are published on the Group's website each year (<https://www.gruppocln.com/en/download>). Only subsidiaries which have been consolidated using the full consolidation method are included in this CSR Report, with the following exceptions (GRI102-45):

- Data for the joint venture MA Automotive Brazil Ltda. is included in this CSR Report despite being included in the Group's Consolidated Financial Statements under the net equity method. This is because the Group feels responsible for promoting CSR in this joint venture.
- Data for MW Jant Sanay Ticaret A.S., concerning H&S at the workplace and environment for the three-year period assessed is included in this CSR Report despite being included in the Group's Consolidated Financial Statements under the net equity method. This is because the Group feels responsible for promoting EHS in this joint venture.
- ITLA S.p.A. was sold on 19 December 2019. The prior year data have been adjusted to exclude ITLA and its operating subsidiary Irla Bonaiti for comparative purposes (GRI102-48).

To properly focus the CSR Report, the CSR team has identified the key stakeholders who are significantly affected by the Group's activities and included topics which are considered most relevant to meeting their expectations and interests. The key stakeholder groups engaged by the CSR team are the Group's shareholders, employees, customers, suppliers, and public and regulatory bodies (GRI102-40). The objective of the Group is to report with full transparency, and therefore the approach taken is of ongoing direct engagement with its

stakeholders where possible, in order to try to ensure as close an alignment as possible on issues that are of most importance to the parties concerned (GRI102-42, GRI102-43):

- Shareholders are engaged in the CSR process through presentations at the CLN Board of Directors meetings, which take place approximately 3 times a year. The Board of Directors has appointed a representative Board Member as a direct link to the CSR team to further strengthen its engagement with Group initiatives.
- Employees are a key asset for the success of our business. CLN strives to respect their rights and provide a safe and healthy work environment. Guidance regarding behavior is given through the Groups Business Ethics Policy and Code of Conduct. Employees are usually represented through collective bargaining agreements and representative committees, which allows management to collect their CSR concerns in a systematic manner throughout the year. Data on employees is collected by Corporate Human Resources every trimester and major concerns are reported in the Human Resources CSR Report. The Group also provides a Whistleblowing channel in order to ensure there is a mechanism for collecting serious concerns regarding actions that are not in line with the Code of Ethics and policies or are un-lawful (GRI102-17).
- The ongoing success of the Group depends on solid and long-standing relationships with our customers. Customers are engaged both through direct meetings to discuss their CSR priorities and through the submission of annual audits for CSR and sustainability. The audit results serve to ensure that the Group can regularly monitor the needs and preferences of customers and customer satisfaction.
- Suppliers are informed of the Groups CSR requirements through the issuance of a Commitment Letter and Sustainability Questionnaire which closely match the topics in CLN's Code of Ethics. In the case of large suppliers such as for steel or aluminium, the CSR team monitors the publicly available information on their websites annually to check alignment on CSR issues. The Group has joined the ResponsibleSteel organization in order to have a direct voice and feedback on sustainability issues in the steel industry.
- The Group's relationship with public and regulatory bodies is based on full and transparent compliance with legislation in every country of operation. Our Policy on Business Ethics and Code of Conduct is designed to ensure CLN and all its employees are aware of the requirement to comply with all applicable laws, regulations and formal agreements and sets out the Groups expected behavior towards public bodies.

The direct engagement with the Group's stakeholders gives CLN a high degree of confidence that the material topics contained in this CSR Report cover the expectations of our stakeholders. Key topics and concerns raised through stakeholder engagement are

addressed in the various sections of this report, which is submitted to the Board of Directors for discussion and approval (GRI102-44).

In addition to direct engagement with the Group's stakeholders, the Group supports key external initiatives and associations in order to align with ongoing best practice.

External initiatives and commitments (GRI102-12)

The Group has selected – upon a careful analysis of those available – the most suitable GRI Standards to provide information concerning its activities. The reference to the GRI disclosure is given in brackets throughout this report for ease of reference.

The Board of Directors of CLN has voluntarily committed the Group to support the principles of the following social responsibility initiatives (www.gruppocln.com/en/our-commitments):



The Group supports the Ten Principles of the United Nations Global Compact on human rights, labour, environment and anti-corruption and has expressed its intent to implement those principles. CLN is committed to making the UN Global Compact and its principles part of the strategy, culture and day-to-day operations of the Group, and to engaging in collaborative projects which advance the broader development goals of the United Nations, particularly the Sustainable Development Goals. CLN makes an annual submission of this CSR Report as a Communication on Progress (COP) in order to demonstrate CLN's efforts to implement the Ten Principles.

(www.unglobalcompact.org/what-is-gc/participants/130791-CLN-S-p-A-)



The Group supports the 1998 ILO Declaration on Fundamental Principles and Rights at Work and commits to respect the principles concerning the rights which are the subject of the Conventions, namely:

- freedom of association and the effective recognition of the right to collective bargaining.
- the elimination of all forms of forced or compulsory labour.
- the effective abolition of child labour; and
- the elimination of discrimination in respect of employment and occupation.



The Group is committed to support the five core human rights treaties which make up the International Bill of Human Rights, which function to advance fundamental freedoms and to protect basic human rights of all people and sets out the basic rights all people should enjoy and expect from their governments.



The Group is committed to support the achievement of the goals of the Paris Agreement on climate change which are to strengthen the global response to the threat of climate change by keeping a global temperature rise this century well below 2 degrees Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5 degrees Celsius.

Membership of associations and external verification bodies (GRI102-13)



In January 2020, CLN became a member of ResponsibleSteel, a not-for-profit organisation which is the steel industry's first global multi-stakeholder standard and certification initiative. As a member of ResponsibleSteel, CLN Group is committed to ResponsibleSteel's vision and mission (www.responsiblesteel.org/about/):

The **Vision** of ResponsibleSteel is to maximise steel's contribution to a sustainable society.

The **Mission** of ResponsibleSteel is to enhance responsible sourcing, production, use and recycling of steel by:

- Providing a multi-stakeholder forum to build trust and achieve consensus;
- Developing standards, certification and related tools;
- Driving positive change through the recognition and use of responsible steel.

The Group also places a high level of attention on customer satisfaction by putting a lot of effort into complying with customer assessments and audits of CSR and sustainability. These audits are very useful as a guide to overall progress and provide a good checklist of potential material topics. For these assessments and audits the Group has the following approach (GRI102-44):

- the correct and prompt response to customer requirements.
- achieving a satisfactory overall rating.
- improvement of the assessment scores over time.

As at 31 December 2020 the results of the customer audits are as follows:

- Ecovadis (for Renault/PSA) – Gold rating with an improvement of 2% vs 2019. The target for 2021 is to maintain the Gold rating and to improve the scores in the Ethics and Sustainable Procurement sections of the audit.
- SSSA (FCA) – The target for 2020 was to be in the range 80-85 points. In September 2020 CLN was informed that FCA was outsourcing sustainability audits to NQC. CNH did continue using SSSA and the latest score of MA was 90% for 2020. CLN's target will be to maintain a high rating with NQC and SSSA.
- NQC plant level audits (German customers) – All 15 plants requested have satisfactorily completed and or maintained their audit status, with no major issues arising during 2020.

As of the date of this report, the Group has fulfilled all the CSR and Sustainability assessments and audits requested by its customers. The main non-conformities or concerns arising from customer audits during 2020 have been fed into the analysis to define the material topics to be included in this CSR Report (GRI102-44).

Material topics (GRI102-46)

The Group uses a materiality analysis to identify material topics. This materiality analysis helps to ensure a close alignment of material topics with the Groups ongoing activities and the corresponding economic, environmental and social impacts. The broad aim of the materiality analysis is to:

- Ensure the Group's business strategy is aligned with the topics that are material to its stakeholders.
- Ensure that the material topics are taken into account in business decisions made on a day to day basis through clear guidance using Group policies and processes.
- Ensure the Group has identified the key global challenges to be addressed and responds to these challenges in a proactive manner.
- Ensure the targets set by the Group Board and Corporate CSR support the correct monitoring of material topics.

The materiality analysis uses the same boundaries within the organization as those in the Group's Annual Financial Report, with the minor exceptions outlined earlier in this CSR Report.

The materiality analysis process for the Group involved the following steps to define the content of the CSR Report and to define the topic boundaries.

In 2016, the Group prepared a Code of Ethics together with external experts to determine the base conditions of behavior when addressing CSR issues. In 2017 the CSR team was

formed to identify the challenges facing the Group and to define the material topics related to these challenges.

The CSR team defined the material topics by referring to the following key sources:

- The topic of CSR has been put on the agenda of the Group's Board of Directors meetings since 2018, to get direct input from shareholder stakeholders regarding material topics.
- Customer audits on Sustainability and CSR issues allow the Group to get feedback from Customer stakeholders.
- The CSR team includes members from all sectors of the business and regions of the Group and is therefore able to highlight the material topics concerning employee stakeholders. Furthermore, a specific Human Resources CSR Report was introduced in 2020 in order to refine material topics for labour and human rights.
- It has proved quite difficult to get clear definition on the material topics for our supplier stakeholders. The Group therefore decided to join the ResponsibleSteel initiative in 2020, in order to get better insights into the priorities of our most important suppliers. The Standard drafted by ResponsibleSteel has been fully reviewed to ensure the groups material topics cover the main areas of concern in the steel industry.
- As explained above, the Group supports a number of external initiatives and commitments. This has enabled the CSR team to understand the global material topics arising from public initiatives and global regulatory bodies and to include these material topics for consideration.

Each year, considering the above evaluation of material topics from key stakeholders, the CSR team determines the material sustainability and CSR topics to be addressed by the Group. This materiality review allows the team to check that material topics included in the previous year's CSR Report are still relevant and significant, and to incorporate any new topic that may become significant for the Group. In addition to the analysis of key topics for stakeholders, the CSR team verifies whether the list of topics which are raised from the stakeholder analysis are also material when seen alongside the Group's industrial activities and the corresponding 'size' of the topic in relation to these activities. This step is required in order to ensure that only those topics raised in the stakeholder analysis which are significantly impacted by the Group's activities - economically, socially or environmentally – are included in the CSR Report, in line with the materiality principle in the GRI Standards. The final CSR Report is approved by the Board Member responsible for CSR activities on behalf of the Board of Directors of the Group.

When compiling the CSR Report, the team seeks to avoid assumptions and subjective judgements when deciding on topics, as material topics can be reliably identified from the

process outlined above. We are confident that the material topics determined on this basis properly address key stakeholder sustainability and corporate responsibility issues and address the Groups economic, environmental, and social impacts. The material topics arising from this process during 2020 were identified to be as follows (GRI102-47):

- Ethics and active and passive corruption.
- Management of employees, human rights and equal opportunities.
- Occupational H&S.
- Training and education of employees.
- Environmental compliance.
- Energy use and efficiency.
- Water use.
- CO₂ emissions.
- Scrap and waste management.
- Sustainability in the steel and aluminium supply chain.

As this is the first year that CLN is reporting under GRI Standards: Core Option, the list of material topics and topic boundaries has been prepared for the first time in this CSR Report. However, many of the topics have been discussed in the previous year's CSR Report, which was not prepared under GRI Standards: Core Option (GRI102-49).

Ethics and active and passive corruption

The Group's Corporate CSR Officer reports to the Group CEO and the Board Member responsible for CSR topics on an annual basis via a formal Business Ethics and Risks Report which covers substantial policy breaches, whistle-blower incidents, targets related to ethics, risk assessment and training on ethics related topics. The 2020 report was submitted on 4 February 2021 with no major concerns being raised.

CLN operates in the Automotive Sector, where in general terms the systematic prevention of bribery and corruption has reached a high level. However, CLN has activities in several countries and, as the risk of corruption varies from country to country, the Group CSR Officer carries out an annual review of the locations of 100% of the Group's fully consolidated operations (32 locations) using the annual Corruptions Perceptions Index published by Transparency International (GRI205-1). The Group CSR Officer has set the criteria that those subsidiaries in countries which are perceived as more corrupt by Transparency International may have to engage in a more robust approach to ethics issues (the CSR has set the baseline as those operations having a score of less than 50 in the Rankings). In November 2020 the analysis showed that the Group had subsidiaries in the following countries with a score below 50 on the Transparency International Index: Romania (44), South Africa (44), Brazil (35) and Russia (28). Brazil has been nominated as the pilot for the implementation of ISO37001, an internationally recognized standard for anti-bribery management systems. Russia was considered also, but to date there are no

auditors available to conduct such an audit in Russia. Other countries with a score below 50 on the Transparency International index will be considered for ISO37001 after Brazil has obtained certification and the process has been fully understood from the Brazil implementation experience (GRI103-1).

The Group recognizes that the typical activities carried out by CLN require numerous processes which are transactional and could be prone to corruption or other non-ethical behavior if not correctly managed. This risk of corruption in the Group could occur in a range of business relationships with external organizations for example:

- There are risks that payments or in-kind contributions are requested by politicians, public officers or government officials in order to facilitate or approve certain projects or activities.
- Many of the Group's contracts with both customers and suppliers involve significant amounts of money. Large contracts can, if not correctly managed, be prone to requests of facilitation payments or kickbacks.
- Important contracts for services – for example scrap management, transport and logistics services, cleaning contracts – are the type of local contracts which could be open to favouritism, whereby an employee of CLN uses his or her position to get a favored treatment for a relative or friend.

In order to provide full guidance on how to address such risks, in September 2020 the Group formalised its Business Ethics Policy and Code of Conduct. Business Ethics refers to anti-competitive practices, corruption and bribery, conflict of interest, fraud, money laundering and privacy. The policy sets out the guidelines that CLN employees must follow when facing ethical dilemmas in the workplace, regulates risk and demonstrates the Group's commitment to operating in the public's interest (GRI103-2). The Group is committed to grant protection to employees from demotion, penalty, or other adverse consequences for refusing to participate in corruption, even if such refusal may result in the Group losing business. The policy has strict requirements regarding assessment of ethical risks and for the identification and reporting of non-compliance.

The Business Ethics policy requires regional or site leadership to put in place effective procedures to combat corruption, list those parts of its operations and activities that pose high risks of participation in corruption and the corresponding specific procedures that are applicable to the high-risk areas that have been identified. Furthermore, regional or site leadership is required to investigate instances of corruption and suspected corruption and to impose sanctions on employees and contractors for corruption and attempted corruption. Confirmed incidents of corruption are required to be reported to Corporate CSR Department immediately.

All payments or in-kind contributions to business associations, charitable contributions or think tanks require the prior approval of the CLN Group CEO in order to ensure such payments are not used as a disguised form of bribery.

The Business Ethics policy also provides guidance on anti-competitive behaviour and how to manage potential conflicts in the interests of full transparency. Failure to comply with antitrust and competition laws and regulations can have extremely serious consequences for CLN Group, including heavy fines and in some jurisdiction's imprisonment for individuals. The Business Ethics policy therefore requires any legal actions regarding anti-competitive behavior and violations of anti-trust in which a company in the region has been identified as a participant to be reported immediately to the Corporate Legal department who will inform the CLN Board if required. The CLN Board is the highest governance body responsible for ensuring conflicts of interest are avoided and managed. All ten of the regional CSR officers and all ten of the regional or country managers received training on the Group's policy regarding anti-competitive behaviour during 2020. The training modules have been translated into Portuguese, Slovakian, French, German and Russian and used for regional training purposes.

All CLN sites are required to maintain records to demonstrate regulatory compliance and compliance with any formal agreements they have entered into. Significant non-complying situations are required to be reported to Corporate Legal Department as soon as they are known. Significant fines and sanctions for non-compliance with laws or regulations must be reported immediately to the Corporate Legal department.

Oversight of the implementation of the requirements of the Groups Business Ethics Policy and Code of Conduct are carried out by the CLN Board Member responsible for CSR who reports annually to the CEO of CLN Group by way of a Group Business Ethics Report.

Where gaps become evident between Group policy and actual business practice and behavior, the Regional CSR officer and Regional or Site leadership are required to identify the root causes and to define and implement actions to address those concerns and to report to the relevant Group Corporate Department or to refer to the Corporate CSR Officer for guidance.

To monitor their business ethics efforts, CLN Group companies are encouraged to use GRI Standards relevant to ethics and compliance. As a minimum, the Regional CSR officer is required to report to the Corporate CSR Officer on an annual basis using the following metrics (GRI103-3). For the year ended 31 December 2020 we can report as follows for the Group:

Significant fines for noncompliance with laws and regulations in the social and economic context (GRI419-1)	In 2020 no significant fines have been imposed for noncompliance with laws and regulations in the social and economic context.
Legal actions for anti-competitive behavior, anti-trust and monopoly practices (GRI206-1)	In 2020 there were no legal actions pending or completed regarding anti-competitive behavior or violations of anti-trust and monopoly legislation in which an entity within the Group has been identified as a participant.
Substantiated complaints concerning breaches of customer privacy and losses of customer data (GRI418-1)	In 2020 there were no substantiated complaints concerning breaches of customer privacy or losses of customer data
Total values of political contributions made by the company (GRI415-1)	No political contributions were made during 2020. Such contributions are not permitted in CLN Group.
Number of information security breaches	No information security breaches were identified during 2020
Confirmed incidents of corruption and actions taken (GRI205-3)	During 2020 no confirmed incidents of corruption have been recorded in accordance with the definitions set out in the CLN Business Ethics Policy and Code of Conduct

No significant risks related to corruption have been identified through the risk assessment procedures required by the Business Ethics Policy and Code of Conduct (GRI205-1).

Local management is required to allow employees to communicate openly with them regarding ethical issues without fear of reprisal. Training initiatives or other interactive communication sessions are required to be carried out in every region in order to ensure that the Group's requirements regarding business ethics are properly understood. To this end, all regional CSR officers participated in a Business Ethics and Code of Conduct training module during 2020, and the module was made available to them in order to conduct training in their region.

Training on ethics issues is tailored to those areas of the Group which are most likely to face potential incidents of corruption or conflict of interest, these being employees involved in purchasing and sales activities. For these employees, training on ethics issues is carried out annually. To this end, the CSR team has developed several training courses in order to further reinforce the understanding of ethics issues.

During 2020 an intensive roll out of training on ethics was carried out to the following priority groups (GRI205-2):

- The Group's Business Ethics Policy and Code of Conduct has been communicated to 100% of employees worldwide during 2020. The Policy is communicated to most customers (over 80%) in all regions via their audit processes and is also publicly available to all business partners and employees on the Group's website.
- One out of a total of ten board members (10%), this being Beatrice Perris Magnetto, has received training on ethics issues in Italy on 3 September 2020. Beatrice Perris Magnetto is the Board Member responsible for ethical and anti-corruption issues in the Group.
- All ten of the regional CSR officers – representing Poland, South Africa, France, Germany, Portugal, Romania, Russia, Brazil and Slovakia –who make up the main governing body for communication and training of ethics issues in the regions, received training on 3 September 2020 (100%);
- All ten of the regional/country managers received training between 3 September and 23 September (100%)
- All employees involved in purchasing activities received training on the Sustainable Procurement, including ethical behaviour between 6 October and 13 October 2020 (100%).
- The Group's Business Ethics Policy and Code of Conduct has been made publicly available on the Group's corporate website to ensure all business partners and other interested organisations can check the Group's ethical requirements.

A total of 3,039 people in the group have received corruption training during 2020, representing 40% of the Group's employees (54 executives – 56%; 740 white collar 50%; 2,245 blue collar – 37%):

<u>Employees who received training on anti-corruption</u>	2019		2020	
	Number	%	Number	%
Italy	N/A	N/A	0	0%
France	N/A	N/A	1	0%
Germany	N/A	N/A	147	35%
Portugal	N/A	N/A	59	58%
Slovakia	N/A	N/A	12	31%
Poland	N/A	N/A	2,185	98%
Romania	N/A	N/A	268	90%
Russia	N/A	N/A	185	99%
South Africa	N/A	N/A	87	6%
Brazil	N/A	N/A	95	24%

To monitor training on ethics issues, the total amount of training on such issues is required to be reported to Group HR on a quarterly basis as from December 2019. This will allow the CSR team to identify those areas of the Group that may not have a good understanding of the topic, in particular in higher risk regions, and direct training resources accordingly.

CLN Group employees are expected to take the utmost care not to use, disclose or disseminate any industrial secrets, know-how or information related to research and development, product engineering or any related documents, codes, drawings, formulas, computer data or programs or ideas without the express permission of the CEO of the division involved. Material breaches of security are required to be reported to Corporate IT immediately and additionally the number of information security breaches is reported to the Group CSR Officer each year to have a double verification.

The Group has a specific Whistleblowing Policy, based upon which employees are given the possibility to anonymously report concerns of unsuitable corporate conduct to a Whistleblowing Committee comprised of three senior executives of the Group. This policy applies to all CLN Group employees worldwide, including part-time, short-term, or contract workers. The policy is intended to cover serious concerns that could have a large impact on the CLN Group, such as actions that (GRI102-17):

- Could lead to incorrect financial reporting.
- Are unlawful.
- Are not in line with CLN Group's policies or Code of Ethics.
- Otherwise amount to serious improper conduct.

During 2020 the Whistleblowing Committee dealt with five cases of Whistleblowing. A summary of the actions taken for each case was reported to the CEO of the Group. All the cases have been dealt with by management in a satisfactory manner (GRI102-44)

Management of employees, human rights and equal opportunities

As set out earlier in this report, CLN Group is committed to support the five core human rights treaties which make up the International Bill of Human Rights (GRI103-1).

The Group's policy on Working Conditions upholds the principle that all its employees should have decent working conditions. Working conditions refers to the working environment and all existing circumstances affecting labour in the workplace, including salaries, wages and working benefits, working hours, physical aspects, legal rights and responsibilities, and the exchange of information on working conditions.

CLN Group recognizes that its employees are its greatest resource and seeks to promote a workplace where employees can voice their concerns and have a good work-life balance. Furthermore, it is fundamental for the Group to prevent any discrimination in the workplace and to promote a culture of social responsibility.

The Group works to guarantee the same professional growth opportunities and development of knowledge for its entire workforce, without any type of discrimination. The Group requires all its employees to adopt this philosophy, in accordance with the principles included in the Code of Ethics and the Group Equality and Diversity policy (GRI103-1). Focus is dedicated to management of diversity in terms of gender equality and race – the two fields with the highest risk of discrimination. The Group views the concept of diversity in terms of giving value to the differences between individuals, and every employee's contribution to creating an environment in which people's identities are respected. The Group prohibits threats or use of disciplinary practices that undermine workers' dignity either for employees of the site or workers employed by contractors, agencies, and other third parties that perform activities on site (GRI103-2).

CLN Group is required to ensure there is no discrimination based on race, either in the recruitment phase or in the allocation of opportunities to succeed within the Group. In countries with a perceived risk of such discrimination, such as Brazil and South Africa, Corporate CSR monitors the application of procedures on a quarterly basis to ensure the local subsidiaries as a minimum meet local expectations and legal requirements.

In accordance with CLN Group's Labour and Human Rights policy, forced or compulsory labour and child labour is not tolerated in any CLN Group company. The age of employment for young workers must meet or exceed legal regulations and labour laws. The Group has assessed the risk of child labour in its operations by reviewing the locations of our plants and determined that the risk of child labour is relatively low because most of the

Group's activities take place in regions of relatively low risk according to ILO global estimates. Nonetheless, during 2020 a control mechanism has been put in place which requires any employee below the age of 18 to be reported quarterly to Corporate Human Resources. All employees under the age of 18 are investigated by Corporate HR to ensure the requirements of the Labour and Human Rights Policy, which prohibits the use of Child Labour, are respected and to take corrective action where it is required.

CLN is comprised of a multicultural group of employees: 7,667 individuals in total as at December 31st, 2020. Out of these, 21% work in Italy – which hosts the Group headquarters and most of the central technical and commercial offices supporting the production plants – 29% work in Poland, 19% in South Africa, 12% in France, 5% in Germany, 5% in Brazil and the remainder in Portugal, Romania, Russia, and Slovakia (GRI103-1). The Group's Human Resources department collects data on employment and training from all subsidiaries every trimester throughout the year and reports significant issues to the Group CSR Officer and the CLN Board Member responsible for CSR, using a quarterly Human Resources CSR Report. The Human Resources Director of CLN is responsible for taking the appropriate action based on this feedback and reports to the Group CEO where appropriate (GRI102-44, GRI103-2).

At the end of 2020, employees hired on long-term contracts represented 92% of the total number of employees, as follows (GRI102-8):

<u>Employees by employment contract type and gender</u>	2018			2019			2020		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Permanent contract	6,125	947	7,072	5,707	928	6,635	6,124	893	7,017
Temporary contract	548	87	635	570	100	670	496	154	650

<u>Employees by employment contract type and region</u>	2018			2019			2020		
	Perm.	Temp.	Total	Perm.	Temp.	Total	Perm.	Temp.	Total
Italy	N/A	N/A	N/A	1,403	18	1,421	1596	3	1,599
France	N/A	N/A	N/A	972	2	974	945	1	946
Germany	N/A	N/A	N/A	356	51	407	355	63	418
Portugal	N/A	N/A	N/A	61	0	61	19	82	101
Slovakia	N/A	N/A	N/A	39	6	45	37	2	39
Poland	N/A	N/A	N/A	1,797	463	2,260	1,908	326	2,234
Romania	N/A	N/A	N/A	294	16	310	296	3	299
Russia	N/A	N/A	N/A	161	40	201	140	47	187
South Africa	N/A	N/A	N/A	1552	74	1626	1331	123	1,454
Brazil	N/A	N/A	N/A	N/A	N/A	N/A	372	18	390

At the end of 2020, employees hired part-time represented 2% of the total number of employees:

<u>Hired personnel headcount</u>	2018			2019			2020		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Employment type									
Full-time	N/A	N/A	N/A	N/A	N/A	N/A	6,571	980	7,551
Part-time	N/A	N/A	N/A	N/A	N/A	N/A	49	67	116

The proportion of the Group's activities that were performed by workers who were not employees was not significant during 2020.

During 2020, new employee hires and employee turnover were as follows (GRI401-1).

<u>New employee hires and turnover by age group</u>	2020 hires				2020 t/over			
	Male	Female	Total	Rate	Male	Female	Total	Rate
<18 years	0	1	1	0%	0	0	0	0%
18-29 years	182	51	233	29%	215	17	232	29%
30-39 years	159	40	199	10%	229	32	261	13%
40-49 years	117	37	154	6%	157	10	167	7%
50 years and above	198	33	231	10%	259	78	337	14%
Total	656	162	818	11%	860	137	997	13%
<i>Rate</i>	<i>10%</i>	<i>15%</i>	<i>11%</i>		<i>13%</i>	<i>13%</i>	<i>13%</i>	

<u>New employee hires and turnover by region</u>	2020 hires				2020 t/over			
	Male	Female	Total	Rate	Male	Female	Total	Rate
Europe	489	127	616	11%	333	96	429	8%
South Africa	90	29	119	8%	244	36	280	19%
Russia	77	6	83	44%	95	2	97	52%
Brazil	0	0	0	0%	188	3	191	49%
Total	656	162	818	11%	860	137	997	13%
<i>Rate</i>	<i>10%</i>	<i>15%</i>	<i>11%</i>		<i>13%</i>	<i>13%</i>	<i>13%</i>	

Note: Hires includes a total of 212 people integrated due to the purchase of Atessa 2 by MA Italia during 2020;

(*) Represented by UMC (loss of control in 2019) and Itla Bonaiti (sold in 2019)

The number of employees does not vary significantly during the year in any of the regions in which the Group operates except for in Brazil. The high level of turnover in Brazil was due to a steep fall in sales due to COVID-19 which required an adjustment to headcount which was managed in accordance to Government guidelines. The plant in Russia continues to suffer from high turnover due to the scarcity of labour in the region which leads to job-hopping. There is a specific root cause project in place to try to improve this turnover issue, including automation of certain positions on the line.

As at December 31st, 2020, about 93% of all the Group's employees were employed through collective bargaining agreements (GRI102-41).

<u>Percentage of employees employed through collective bargaining agreements headcount</u>	2018			2019			2020		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Total employees	6,673	1,034	7,707	6,277	1,028	7,305	6,620	1,047	7,667
Employed through collective bargaining agreements	5,043	724	5,767	4,687	661	5,348	6,160	954	7,114
%	76%	70%	75%	75%	64%	73%	93%	91%	93%

Note: an assessment during 2020 determined that certain entities reported incorrectly prior to 2020

The Group's relationship with labor unions has historically been based on transparency and focused on establishing balanced agreements between the parties. Group employees have the right to join collective bargaining organizations such as labour unions and workers councils and to communicate their grievances regarding working conditions through their collective bargaining organization.

Where required by local rules, salary policies are communicated to labour unions and subject to specific agreements with those unions.

One of the lessons learnt from the COVID-19 crisis was that in many instances the traditional model of employees working in offices each day is not necessarily the best solution for some functions. Other models of working were found to be possible and even beneficial. To this end, in May 2020 a new Smart Working Policy was formalized within the Group. In this new policy CLN Group set out the fundamental principles of trust, autonomy and flexibility which are the basis of the smart-working model, and which contribute to aligning the company with changes in technology and new concepts of how to communicate. The Group also recognized that smart working may help to reduce its carbon footprint by reducing travel to and from the office and enhance the health and safety of its employees through reduced travel risk. It should also allow the Group to better address issues of diversity by allowing excluded groups to achieve better results due to a more flexible approach to when or where they can conduct their work.

During 2021, CLN Group Corporate HR will monitor the implementation of smart working and will give feedback on the developments and evolution of flexible working within CLN Group in order to decide next steps.

The most concerning conclusion of the analysis of headcount over the past years is the persistently low level of female representation in the workforce. The Board of Directors of the Group has determined that the percentage of female employees is too low and as such has set a target to increase the percentage of women to 19% by 31 December 2025.

The steps to achieve the target will be managed by the Human Resources Director of CLN and will be addressed in the main through natural turnover (GRI103-3, GRI405-1).

Headcount by age group	2018			2019			2020		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
<18 years	-	-	-	-	-	-	0	0	0
18-29 years	-	-	-	-	-	-	671	134	805
< 30 years	676	97	773	655	113	768	-	-	-
30-39 years	1,649	264	1,913	1,561	260	1,821	1,706	257	1,963
40-49 years	2,166	297	2,463	2,066	302	2,368	2,144	333	2,477
50 years and above	2,182	376	2,558	1,995	353	2,348	2,099	323	2,422
Total	6,673	1,034	7,707	6,277	1,028	7,305	6,620	1,047	7,667

Headcount by age group %	2018			2019			2020		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
<18 years	-	-	-	-	-	-	0	0	0
18-29 years	-	-	-	-	-	-	9%	2%	10%
< 30 years	9%	1%	10%	9%	2%	11%	-	-	-
30-39 years	21%	3%	25%	21%	4%	25%	22%	3%	26%
40-49 years	28%	4%	32%	28%	4%	32%	28%	4%	32%
50 years and above	28%	5%	33%	27%	5%	32%	27%	4%	32%
Total	87%	13%	100%	86%	14%	100%	86%	14%	100%

In order to ensure that the Group's objectives regarding management of employees, human rights and equal opportunities are met, during 2020 a specific Labour and Human Rights CSR report was introduced through which the Central Human Resources department reports to the Board Member responsible for CSR matters and the Central CSR Officer on issues arising from the GRI data collected for the Group and specific concerns and actions arising. The main issues arising in the Labour and Human Rights CSR report during 2020 are as follows (GRI102-44, GRI103-3):

- The employment circumstances of all employees under the age of 18 in the Group were investigated by Corporate Human Resources during the period covered by this CSR Report to identify any locations with a significant risk regarding child labour. No incidents of child labour were found to have taken place in any of the Group's operations. There was only one person under the age of 18 employed during 2020 (in MW France) and this was fully checked by Corporate HR and found to be a student on a 2-year contract fully in compliance with French law. A comprehensive review of the CSR approach of the major suppliers of the Group, comprising 90% of the steel and aluminium purchased, did not give rise to any concerns of suppliers

at risk for incidents of child labour (see section on Sustainability in the steel supply chain below) (GRI408-1).

- Approximately 14% of the Group's employees were women as at 31 December 2020. In order to reach the target of 19% by 2025 as set by the Board of Directors, the Group will try to increase the number of women by 1% per year from 2021 onwards.
- The MW plant in Kingisepp Russia was found not to have a clear collective labour forum or union. Although for such a small enterprise this is not required according to Russian law, Corporate Human Resources will keep this under close review.
- Group operations in South Africa are required to formally submit an Employment Equity plan to the authorities to comply with the Employment Equity Act No55 of 1998. South African Companies are required to submit to annual audits in order to gauge compliance with Broad Based Black Economic Empowerment (BBBEE). BBBEE is a programme launched by the South African government to address inequalities by encouraging businesses to integrate previously disadvantaged people in the workspace and support black businesses. MA South Africa's customers have a target for their suppliers to be at least at Level 4 in order to support the BBBEE programme. During 2020, MA South Africa had already achieved a Level 4, but in the latest audit they have improved still further and achieved a Level 3. This is a great achievement which was based on a targeted approach to inequality in the organisation, such as active promotion of the South African Youth Employment Scheme.
- Brazil is high on the list of countries with a high perception of racial inequality. The MA Brazil plant was therefore required to draft new procedures to reduce the risk. The new procedures were approved in October 2020.

During 2020 no major incidents of discrimination was reported to the senior management of the company for race, colour, sex, religion or political views. During 2020 no incidents of discrimination were reported through the Whistleblowing portal (GRI406-1).

Occupational health and safety

The topic of occupational H&S has been one of the Group's main priorities for many years. As our employees are the most important resource for the success of the business, personal safety, the management of health issues and the guarantee of a healthy workplace are among the Group's fundamental values. The sustainability of these values is a pre-condition for all operating decisions and activities.

This has been particularly important during 2020 with the impact of COVID-19. During the year the Group has implemented vigorous safety measures and has applied a common Group protocol to protect our employees from infection. For all sites and employees, the

Group has defined and implemented strong hygiene measures within the framework of the protocol, together with a reorganization of working and common areas to reduce the risk of contamination and training of employees. In all sites a COVID-19 committee has been put in place, including the representatives of our employees, in order to monitor the evolution of infection and to define and share remedial measures and action plans. During the worst months from of 2020, activities in our plants were reduced to an absolute minimum where possible, and office workers worldwide were required to work from home to the maximum extent feasible. Even after there was a drop in fatalities and infection rates in Europe, severe restrictions were maintained regarding the number of people in offices and infection prevention measures, including the return to home office for many employees when infections increased again in October 2020 – in fact Smart working has been maintained at a high level throughout the Group during 2020.

The Group believes that a high level of health & safety requires formal certification covering all employees and sub-contractors who work on the Group's premises. The Group's Board of Directors has therefore set a target for 100% of the Group's facilities to be certified under ISO 45001 by December 2025. ISO 45001 is the most widely recognized health & safety risk management standard in the automotive sector. As at 31 December 2020 68% of the facilities had achieved certification, compared to 64% of the facilities at 31 December 2019. A total of 7 plants are planning to undergo audit for certification during 2021. The effectiveness of the management system is guaranteed by recurring internal and external audits with the aim of identifying new improvement opportunities and to highlight critical issues (GRI403-1).

The approach to health & safety is set out in the Group's Health & Safety Policy, applicable to all employees of the Group. Performance is monitored monthly at Group level and at each CLN Group Board meeting, focusing on the frequency of accidents, gravity of accidents and number of days lost. All plants are required to collect full data on work related hazards and assess risk daily for all employees or other workers on site, and all employees are encouraged to report any non-conformities to the plant EHS officer or Plant Manager. Non-conformities include unsafe acts, unsafe conditions, near misses, first aid, minor injuries, serious injuries and fatalities. There is a group Whistleblowing system in place which protects workers from reprisals in cases where they feel a serious issue has not been dealt with appropriately by local management. Individual work-related incidents are managed using a specific root cause analysis called the S-EWO form which includes a 5Why+1 analysis, correction plan, and analysis of similar risks in the plant. All S-EWO forms related to injuries with time lost are reported to and monitored by Group EHS department. Each plant is required to have a Safety Committee which analyses the monthly data based on a Heinrich Pyramid and makes decisions on required safety activities and remedial actions. The Safety Committee is also responsible for implementing and monitoring safety training. The only plant in the Group that did not have such Safety

Committee in 2020 is the plant in Portugal, and our Group safety officers are helping local management to set up the appropriate Committee during 2021. As an additional measure of control The Board of Directors of CLN takes the lead by setting annual targets and medium term (2025) targets, and by committing to roll out ISO 45001 to all plants in the Group (GRI102-44, GRI403-2).

A summary of the safety performance of the Group is as follows:

<u>Safety metrics</u>	2018	2019	2020
Frequency Rate/Injury rate (n° accidents/n° hours worked)	3.26	3.25	2.68
Gravity Rate/Lost day rate (n° days of absence due to injury/n° hours worked)	0.11	0.12	0.12

There were no fatalities during 2020. The Group has continued the improvement of the Frequency Rate seen over the past few years and is maintaining a relatively low Gravity rate. The number of injuries fell to 35 in 2020 from a 54 in 2019, and the number of days lost fell to 1,585 from 1,933 in 2019. The improvement is consistent across the two main divisions of the Group, MW and MA. This confirms that the safety system in the Group continues to give a positive result. That said, a number of plants – MA Portugal, MA Melfi and MW France in particular – suffered an unacceptable level of injuries, and these plants are being carefully monitored by our Group safety team.

Training of employees

The development and growth of professional and management skills of all employees within the Group is fundamental to guarantee the quality and safety of corporate processes, and to the understanding of CSR issues within the Group. The Group's approach to training is to offer broadly the same range of training across all facilities and regions, tailored according to the role carried out by each individual (GRI103-1).

The Group has carried out about 120,000 hours of training in 2020, approximately half that of previous years' due to the difficulty in performing training courses during the COVID-19 lockdown period (GRI404-1):

<u>Hours of training offered (n° of hours)</u>	2018*			2019			2020		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Directors	1,077	268	1,345	942	267	1,209	427	147	574
Employees	50,870	26,125	76,995	43,458	15,315	58,773	16,053	7,865	23,918
Manual workers	171,303	13,905	185,208	137,799	20,258	158,057	87,456	7,836	95,292
Total	223,250	40,298	263,548	182,199	35,840	218,039	103,936	15,848	119,784

* Note: Data for training hours in 2018 do not take into account the special technical training hours required by a customer to start a new project in South Africa during that year, as this was a one-off.

<u>Average hours of training by category (n° of hours)</u>	2018			2019			2020		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Directors	11	19	12	11	21	12	5	11	6
Employees	44	61	48	41	36	40	15	19	16
Manual workers	32	23	31	27	34	28	16	13	16
Total	33	39	34	29	35	30	16	15	16

Group Corporate human resources monitors training by type to focus on the key areas which require attention to upgrade employee skills to meet the Groups expectations. Special attention is attached to monitoring the training on Technical-professional skills; Health, Safety and Environment; Management skills; and Ethics. Training hours by type are reported to Corporate HR quarterly to ensure training initiatives or other interactive communication sessions are carried out in all facilities and regions and that targets are respected. Those regions and plants which are falling behind are engaged individually (GRI102-44). Due to the Group being involved in manufacturing, the biggest portion of training carried out is to enhance HS&E and technical-professional skills (GRI103-2, GRI404-2).

Type of training offered (n° of hours)	2018			2019			2020		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Technical-professional skills	86,025	15,632	101,657	79,858	16,232	96,090	30,309	5,373	35,682
Health, Safety and Environment	36,806	4,126	40,932	40,212	5,178	45,390	49,920	5,241	55,161
Management skills	59,511	12,335	71,846	35,066	6,616	41,682	5,114	1,622	6,736
Ethics	4,810	851	5,661	5,018	1,220	6,238	9,097	1,637	10,734
Languages	-	-	-	-	-	-	1,533	854	2,387
Cybersecurity	-	-	-	-	-	-	197	137	334
Other types	36,098	7,355	43,453	22,044	6,594	28,638	7,766	984	8,750
Total	223,250	40,299	263,549	182,198	35,840	218,038	103,936	15,848	119,784

Training on ethics issues - anti-competitive behaviour, corruption, bribery, conflict of interest, fraud, money laundering, IT security - has not been high enough during the past few years. Since the level of ethics in any company is hard to measure, the Group's management decided to ensure awareness is kept high through additional training.

The Group's Board has therefore set a target of 3 hours per year per white collar employee by 2025. To achieve this target, training will be increased by 0.5 hours per year as more training modules become available, in order to try to stabilize at 3 hours per year in 2024. Despite the problems of training during the COVID-19 period, the Group was successful in increasing this type of training during 2020 to 1.4 hours per person on average.

The training of senior management on Business Ethics is carried out by the Corporate CSR Officer, and all regional CSR Officers and regional managers received training during September 2020. Specific in-house training courses have been prepared on several important ethics topics, and several regions have already started translating the modules into local language and carrying out the training locally. Regional CSR Officers in the different regions of the Group are responsible for cascading these training modules in their regions (GRI103-3).

Unfortunately, the impact of COVID-19 had a negative impact on most the Group's training initiatives during 2020, as it took some time to adjust to an on-line approach. In fact, the total number of hours dedicated to training during 2020 fell by 45%. Central HR is working with an external supplier to try to put in place a formal internet-based resource to help with distance learning. The initiative was launched in Italy as a pilot in early 2021 (GRI103-3).

As employee safety is a priority within the Group, safety training and employee involvement in safety issues are considered one the most important objectives of training, in order to create of a strong and solid safety culture focused on risk awareness and on participation in safety-related activities. The aim is to spread a proactive and participatory approach. All plant employees are reminded of safety on a daily basis - for example many attend '5

minutes for safety', a field-training session calling the attention of workers on specific topics. Training on EHS has increased progressively over the last few years and in 2020 was the biggest component of training hours (GRI403-5).

CLN Group IT department has designed specific training modules for both GDPR and Cyber Security, which have been used throughout the Group during 2020 to increase awareness and understanding of this topic.

During 2020 the Group started to measure the percentage of employees receiving regular performance and career development reviews in order to start to review this topic on a regular basis. During 2020 the percentage of employees receiving such a review was as follows (GRI404-3):

<u>Percentage of total employees receiving performance review</u>	2018			2019			2020		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Executives							18%	15%	24%
White collar		N/A			N/A		21%	18%	26%
Blue collar - Indirect							17%	12%	18%
Blue collar – Direct							11%	11%	16%

Environmental compliance

Guidance on environmental compliance is set out in the Groups 2020 Environmental Policy. The policy sets out how the day to day operations undertaken by CLN Group companies should be managed to minimize damage to the environment and improve overall environmental performance. The policy also sets out the Group's intentions and principles on environmental issues and provides the framework for action and guiding the Group's ongoing environmental efforts, environmental objectives and targets (GRI103-1).

The Environmental Policy is governed by the Board of Directors of CLN Group, represented by the Chief Executive Officer.

The Group has a central Environmental department which reports to the Group Central Environment, Health & Safety manager, who in turn reports to the Group CEO. The focus of the Environmental department is on the following (GRI102-44, GRI103-2):

- guaranteeing compliance with environmental legislation and international standards for environmental protection.
- defining and implementing action and control plans for environmental risks.
- improving corporate performance by regularly monitoring environmental indicators and the impact of the Group's activities.

- providing corporate management with an efficient and effective system to allow timely assessment of new environmental issues, to support decision-making and to allocate responsibilities.
- increasing the involvement, motivation, and awareness of workers and third-party companies working at CLN facilities.
- reducing environmental impact by means of technical innovation, reduced consumption, compensation actions, waste reduction, an increase in recycling, and prevention of environmental contamination.

The Group carries out its activities in full compliance with current legislation and standards and commits to promote activities which can reduce or offset environmental impacts arising from its manufacturing processes. Furthermore, it is Group policy that the plants are subjected to external audit to verify the efficiency of their environmental management system. To this end, the Group aims to have an increasing number of its facilities accredited for ISO 14001:2015 certification each year. The target set by the Group Board of Directors is to have 100% of the facilities accredited by December 2025. As at 31 December 2020 93% of the Group's facilities have an ISO 14001:2015 certification, which is aligned with Group targets. During 2021 two further plants are planning to certify in accordance with ISO 14001:2015.

Regional and site EHS officers are responsible for keeping site employees informed about their environmental roles and responsibilities and for fostering the development of in-house learning, management capacity and leadership on environmental topics relevant to each facility. Regional and site EHS officers are also responsible for addressing internal and external stakeholders' environmental concerns, including the concerns of environmental agencies, Group Central EHS Department and local customers. In order to evaluate the environmental performance of individual facilities in the Group, all facilities are required to monitor the achievement of annual improvement targets for the main indicators related to energy consumption, water use and waste generation on a monthly basis. These indicators are collected and monitored by CLN Group Central EHS Department to identify and act on areas of concern (GRI103-3).

All subsidiaries in the Group are committed to respect protected and conserved areas and to mitigate any adverse impacts on biodiversity in their area of influence. In the few facilities of the Group adjacent to natural habitats, indigenous vegetation is planted to try to enhance biodiversity. Examples of this can be seen in South Africa where a local tree called Spekboom has been planted in large numbers and in Brazil where a piece of land to the rear of the plant has been encouraged to return to its natural state.

The Group is committed not to initiate activities or plan associated facilities in any location worldwide that is immediately adjacent to World Heritage Sites, protected areas of the

International Union for Conservation of Nature (IUCN) protected area management categories I-VI, conservation areas protected under national law, indigenous and community-conserved areas, wetland Ramsar sites or key biodiversity areas. As a rule, no subsidiary is permitted to significantly convert or degrade natural habitats within its perimeter.

No significant fines and non-monetary sanctions for non-compliance with environmental laws and/or regulations were received during the year ended 31 December 2020 (GRI307-1).

Energy use and efficiency

The production carried out at Group facilities includes a wide range of metal manufacturing processes. Such processes can require a relatively high level of electrical energy. All the processes within the sites use electricity supplied in the main from the local electricity grid. The facilities also use significant amounts of fuel, principally for heating and for certain production processes such as painting. (GRI103-1).

Because of the high level of electrical energy consumed, the Group is committed to reducing the total electrical energy utilized and to utilize a higher proportion of its requirements from energy purchased from renewable or low GHG sources.

The Group also uses relatively high amounts of gas for heating offices and facilities, together with methane gas used for industrial processes such as painting.

All energy consumption in the Group is collected using installed meters and the Group requires all CLN facilities to report this energy consumption to the Group's Central EHS Department every month. Central EHS Department is responsible for setting targets annually for each facility and for monitoring the energy reduction processes in place. Guidance on the required approach to energy consumption is set out in the Group's Environmental Policy which was revised in December 2020 (GRI103-2). The Central EHS Department is responsible for evaluating the progress of each site against their targets; for reporting on the overall progress of energy consumption and for requesting remedial action when this is required (GRI103-3). The "Energy efficiency project" launched by the MA Division continues to encourage production plants to engage in projects such as LED installation, energy efficient equipment and compressed air use, and the best ideas are spread across the plants and to the MW division. For example, as from 2021 approximately 25% of heating supply in the MA Chivasso plant will be supplied from a biomass cogeneration plant. Furthermore, by the middle of 2021 the lighting system for the MA Atessa Plant will be replaced by a Smart LED system. New ideas under analysis for 2021 include a heating recovery system in MA France, electric vehicle charging stations and a smart heating system in MAD Treuen.

For the year 2020, the Group's energy consumption was significantly below the level of 2019. This reduction was largely due to the impact of COVID-19 on the Group's activities (GRI302-1, GRI302-3):

<u>Energy consumption (GJ)</u>	2018	2019	2020
Electrical energy consumption	884,826	841,862	692,447
<i>Of which from renewable sources</i>	<i>Not available</i>	<i>Not available</i>	<i>144,867 (21%)</i>
Fuel consumption for heating from non-renewable sources (*)	494,135	517,533	446,074
Total energy consumption	1,378,962	1,359,395	1,138,521

* Note: Data for Tychy and Kielce plants was missing in 2018, which explains the increase in fuel consumption in 2019.

<u>Energy Intensity within the organisation</u>	2018	2019	2020
Electricity Intensity Ratio within the organisation (Total energy consumption x 1000/Standard hours)	127	123	127
	2018	2019	2020
Fuel Intensity Ratio within the organisation (Total energy consumption x 1000/Standard hours)	N/A	76	82

The CSR team has determined that the quickest and most effective way to reduce the Groups carbon footprint is to purchase the energy required for its operations from low or zero carbon sources such as hydroelectric, wind, sun or nuclear energy, where these are readily available and it is economically feasible. During 2020 therefore, the Board of Directors has set a Group target to have 71% of energy purchased from renewable or low GHG (e.g. nuclear) sources by 31 December 2025. Local purchasing departments are required to properly research their local energy market when each energy contract comes up for renewal, and to present the options available and cost implications to CLN Group Head Office Purchasing for assessment. Every CLN site is required to report the percentage of energy purchased from low or zero carbon sources to Group EHS Central Department on a regular basis, and the results of this initiative will be reported to the

Group's Board each year (GRI103-3). For the year ended 31 December 2020, the Group purchased 21% of its energy from low or zero carbon sources, aligned with the target for the year.

The Group is looking at several feasibility projects for the introduction of solar power. A test project was launched for a 500kW solar power system in the Melfi plant in late 2019, and a Power Purchase Agreement for a 769kW solar power system was approved in MA Chivasso plant in 2020. Unfortunately, so far, few projects have been shown to be economically feasible, with very long payback periods and little support from the authorities. For example, a deep study was carried out to understand if solar power projects made economic sense in the plants in Germany, but the conclusion was that these investments were not feasible. Solar power studies are taking place in South Africa, Brazil, Poland, Portugal, and Turkey to determine feasibility.

Water use

The Group is conscious of the fact that global pressures on fresh water are rising rapidly due to population and economic growth, which means that users like CLN must take responsibility for their impacts on this shared resource and work diligently to manage its sustainability. Metal manufacturing and painting sites require the use of water in the cooling process, for washing parts, as well as water used for civil purposes. All the water used by the Group for these purposes is drawn from properly regulated municipal sources, except for a small amount of rainwater harvested from the roofs of buildings. An uncontrolled use of water causes negative environmental impacts not just inside the facility but more importantly to the general local environment, such as from the reduction in water resources available and through the modification of natural ecosystems. The optimization of water use and alteration of water sources by facilities is directly linked to good management within the operations, and as such the Group is able to reduce its general impact on the environment, which may also have a positive impact on operating costs (GRI303-1).

The Group's requirements regarding water management are set out in its Environmental Policy (GRI-303-2). CLN Group sites are required to demonstrate good water stewardship in order to properly manage water use, regulatory risk and reputational risk, and to have documented procedures in place to achieve this aim. Site EHS Officers are required to ensure that they understand and document where water is drawn from for use on the site, and the locations it returns discharges to, to properly define the risks and opportunities for water management. Where possible, the Group encourages management to engage with local initiatives to gain a perspective on current and future uses of water and the shared water challenges of the catchment area.

CLN Group sites are required to measure the flow of water in and out of the facility and the quality of water withdrawals and discharges from/to the municipal system, and to keep

records accordingly. Sampling of water for physical, chemical, and biological aspects of water quality is required to be sufficiently frequent to detect and allow for a timely response to significant changes.

CLN Group sites are also required to evaluate their water related impacts on the local environment, considering the quantity of water used, the quality of water discharges, and consideration of extreme events such as flooding and the local community in which it operates.

CLN Group sites are required to integrate water considerations, challenges, and adverse impacts into their considerations in their business planning processes. To do so the sites are required to set targets for water use and minimum requirements for water quality that serve to minimize the adverse impacts on the local environment. CLN Group sites are encouraged to present the Group's Central EHS Department with potential projects of innovative technologies to treat wastewater or facilitate clean disposal to help guide decisions regarding annual investments.

Where the site is in an area with stressed or scarce water resources, a specific action plan is put in place to relieve pressure on the water system through measures such as water recycling, water capture, alternative sources, and efficient use. The Water Stressed Areas project using the Aqueduct Water Risk Atlas tool showed considerable risks to the site operating in the Port Elizabeth area (South Africa) in 2018. The immediate crisis was alleviated by good rainfall during 2019, but during 2020 the region returned to drought, with dam levels as low as 19%. Fortunately, so far, our plant in Port Elizabeth has not been adversely affected because it is connected to the inland supply from the alternative Gariep dam some 500km inland. About 60% of Port Elizabeth's demand is supplied from this source. Long term the risk remains high despite remedial actions by the South Africa authorities, for example upgrading supply from the Nooitgedacht dam to 210ML/day which is about 70% of Port Elizabeth's demand. Therefore, the plant maintains a strong and on-going mitigation plan, including drought awareness campaigns, regular leak maintenance and water recycling. The management team in South Africa is also actively trying to downsize the business over the coming years, transferring parts to other plants where possible. The Group continues to monitor the situation carefully.

All CLN sites are expected to report their water consumption and the amount of water recycled and reused to Groups Central EHS Department on a monthly basis and to set annual targets aligned to CLN Group targets, in order that the effectiveness of the management approach can be monitored and assessed. The amount of water used is monitored directly by the Groups Board which has set the target of a reduction of 29% of water used by the Group by 31 December 2025. (GRI303-2).

In 2020 the Group has withdrawn 461,000 m³ of water from third-party water suppliers during the year, a 15% reduction compared to the previous year. This is more than the Groups target which was for a reduction of 2% compared to 2019, but the biggest effect was in fact factory closures during the COVID-19 period (GRI303-3):

<u>Water withdrawal (megaliters)</u>	2018	2019	2020
Freshwater withdrawn from third party municipal water supplies or private utilities measured using installed water meters*	575	542	461
Of which from areas with water stress drawn from surface water (MW South Africa plant, Port Elizabeth)	15	17	10

** Note: A small amount of rainwater is collected directly and stored by the organisation, but this is not material to the reporting.*

The “Water efficiency project” launched by the MA Division continues to encourage production plants to engage in substantial water efficiency actions, and these projects are reviewed centrally on an annual basis in order to spread the best ideas across the plants. Examples of such projects being considered during 2020 include water/oil separation equipment in France, water harvesting systems in South Africa and Italy and sewerage treatment equipment in Poland.

In order to help the Group have clear targets to support the reuse of water, a new indicator was introduced in 2020 to measure the amount of water recycled and reused:

<u>Water recycled and reused (megaliters)</u>	2018	2019	2020
Total volume of water recycled and reused*	Not available	5	5
	2018	2019	2020
Total volume of water recycled and reused as a percentage of water withdrawn	Not available	1%	1%

** Note: Represents water filtered and reused in processes measured using flow meters. A small amount of rainwater is also included but this is not included in the data as it is not measured accurately.*

CO2 emissions management

As explained earlier in this report, the production carried out at Group facilities includes a wide range of process which use large amounts of energy. This means that the Group’s facilities are a significant indirect contributor of greenhouse gas emissions through their use of energy sources to produce components. CLN Group has therefore committed to the global goals of the Paris Agreement and Group companies are required to support this

commitment. In September 2020 the Group made its first disclosure under the Carbon Disclosure Project ('CDP') in support of these aims. The CDP's data both fuels and tracks global progress towards building a truly sustainable economy for people and planet. There is a high and growing market demand for environmental disclosure, and disclosure is the essential first step to drive environmental action. CDP is the gold standard for corporate environmental reporting. Moreover, there are tangible business benefits to be gained from responding to our customer stakeholder's requests for disclosure in terms of demonstrating our alignment with their ambitions and commitments (GRI103-1).

The Group manages the topic of greenhouse gas emissions top-down. Scope 1+2 GHG emission targets are becoming a standard because of the Paris Agreement, and therefore, the Group's Board of Directors has set a target of a reduction of 14.5% of GHG emissions by 2025. The long-term goal is to achieve net-zero GHG emissions in accordance with the Paris Agreement. The Group's emissions reduction pathway and medium-term targets are compatible with a long-term emissions reduction pathway for the industry in which it is engaged, as most of the Groups customers have also committed to a long-term target of net-zero GHG emissions.

The strategy for achievement of these emission targets, together with the timeline for change across the Group's subsidiaries, is monitored monthly by the Group's Corporate EHS department who are responsible for identifying the conditions that would need to be in place for the successful implementation of the strategy and for ensuring the individual subsidiaries have measures in place to meet their targets (GRI102-44, GRI103-2).

Oversight for climate related risk and opportunity is the responsibility of the Group EHS Central Department manager, who reports to the CLN Board Member responsible for CSR compliance when matters need to be brought to the attention of the CLN Board. Energy use data from every facility in the Group is collected monthly, converted into metric tons of CO₂ equivalent and consolidated by Group EHS Central Department for reporting to the CEO. In 2020 the Group's direct and indirect CO₂ amounted to 104,097 metric tons of carbon dioxide equivalent, which is lower than expected due to the impact of COVID19 (GRI103-3, GRI305-1, GRI305-2).

<u>Group SCOPE 1 - tCO₂e from fuel combustion on site</u>	2018	2019	2020
Direct CO ₂ emissions (metric tons of CO ₂ equivalent)	18,986	18,539	14,506
<u>Group SCOPE 2 - tCO₂e from electricity purchased</u>	2018	2019	2020
Indirect CO ₂ emissions (metric tons of CO ₂ equivalent)	116,397	106,960	89,591
<u>Group SCOPE 1+2 - tCO₂e</u>	2018	2019	2020
Total direct and indirect emissions	135,383	125,499	104,097
<i>Note: Adjusted for energy coming from green sources</i>	<i>115,562</i>	<i>114,176</i>	<i>89,230</i>

Calculation basis: The GHG emissions have been calculated using the International Energy Agency 2020 conversion factors. Prior year numbers have been adjusted to enable comparison.

Site and regional management is required to consider the effectiveness and cost of installing technology, process optimization or equipment that reduce GHG emissions or decrease energy consumption or generate energy from renewable sources, such as solar, wind or biomass. Associated projects are submitted to the Group's Central EHS Department for review and approval.

Local EHS officers are responsible for ensuring that employee awareness programs and/or training programs on energy conservation are carried out periodically. The Group is aware that environmental protection must be – above all – pursued through the optimization of energy use, and through little everyday actions carried out at the production facilities and offices. The Group has organized communication campaigns to promote several “Top Tips” to raise environmental awareness among employees, and to reduce its environmental impact by means of simple but effective behavioral rules including conscious use of air conditioning and heating systems as well as efficient lighting.

The Group promotes the use of compensation measures for its greenhouse gas emissions. For example, it promotes the creation of green spaces (trees, bushes, grass, and flowers) to increase carbon capture and sequestration, as well as to contribute to an increase in biodiversity in the areas close to the production facilities. The BoD has set a target to have planted 5,000 trees by 31 December 2025, including those planted from 1 January 2019 (Spekboom in South Africa is defined as a tree for this target). As at 31 December 2020 over 4,500 trees planted, which means that the target is well within sight, and it is therefore the Group's intention to try to reach the target earlier than anticipated.

CLN actively encourages its subsidiaries to reduce the emissions from transport. To this end, in June 2020 a new Group Travel Policy was formalized with the purpose of helping

CLN Group to reduce the energy consumption and greenhouse gases attributable to its activities and to encourage a smarter approach to travel, whilst enhancing the H&S of its employees. From June 2020, travel is only permitted if the business objective of the trip cannot be achieved using remote meeting resources such as telephone conferencing or applications approved by CLN IT department, such as Microsoft Teams. In cases where travel cannot be avoided, rail is the preferred option for travel for Group employees as it is both safer and more environmentally friendly than other methods of transport such as airline travel or the use of cars. As flying is the most polluting form of travel, all airline bookings must now be approved by the Divisional CEO (GRI103-2).

Carpooling is encouraged where the local legislation allows it, as was the case in Brazil. Fleet cars are purchased to Euro 6 level. CLN logistics suppliers have a very high level of compliance of Euro V and VI, and this is monitored periodically by our purchasing executives.

Scrap and waste management

CLN Group facilities produce significant metal scrap waste during the process of transformation of steel and aluminium coils and purchased metal components into metallic assemblies using the following production processes, all of which are located within the Group's facilities:

- Cold stamping of steel and aluminum
- Roll forming of steel and aluminum
- Assembly of metal components by means of robot welding
- Coating of metal components (cataphoresis, powder/liquid finishing)
- Longitudinal and transversal cutting of steel
- Steel annealing in furnaces and through heat treatment

Steel and aluminium is by far the most significant input required for the Group's activities, and therefore more than 95% of the Group's total waste is non-hazardous metal scrap sold for recycling. Other non-hazardous waste such as cardboard and wood pallets are also recycled but represent only a small proportion by weight.

The impacts are all generated within the facilities themselves and can therefore be controlled using procedures at site level. Steel, which is by far the raw material most utilized by the Group, is the most recyclable and recycled material in the world, since it is one of only few materials that does not lose its properties when it is recycled (GRI103-3). In fact, approximately 83% of steel worldwide is estimated to be recycled. Moreover, with its resistance and versatility steel lends itself to countless strategic sectors, including:

- Transportation: trains, watercraft, cars, bicycles, etc.

- Energy: load-bearing elements of wind power plants and electrical power transmission lines (trellises)
- Construction: concrete reinforcement and other components

Aluminium scrap, which is the second most important by-product after steel scrap, is also highly recyclable and managed in the same way as steel in all Group facilities.

The input steel and aluminium used in the Group's production processes is of a very high quality and grade and is always approved by our customers and purchased from large multinational steel or aluminium producers. As outlined in the next section of this report, the Group's suppliers of steel and aluminium are carefully vetted to ensure that they meet high levels of sustainability compliance. Because of the high quality of input material, nearly all the scrap steel and aluminium waste produced, most of it generated within the Group's own facilities, is collected and recycled. A much smaller quantity of similar waste is generated by the suppliers of metallic sub-components, which is generally managed in a similar manner by these suppliers (GRI306-1).

All Group facilities are expected to carefully monitor scrap metal as a proportion of input material and reduce scrap rates according to annual targets. Furthermore, the scrap metal generated must be weighed using dedicated weighbridge equipment and documented, normally before it is permitted to leave the facility. Scrap metal generated and sold is therefore very carefully controlled daily. Most CLN Group facilities have dedicated areas for scrap management on site for the collection, preparation and sorting of scrap metal. During 2020, the Group has re-sold about 250,000 metric tons of metals (steel and aluminum) destined for recycling with reputable third-party scrap merchants or steel producers which are monitored by a specific manager responsible for each region. Local management ensure that their scrap dealers manage scrap in line with specific agreements which outline conditions between the parties and are aligned with local legislation. These merchants sell the Group's scrap on to steel and aluminium producers who in turn use it to produce steel and aluminium for sale to industry (GRI306-2).

Other than scrap metal, the Group's manufacturing processes do not generate a significant quantity of non-hazardous waste. However, although the amount of such waste is minor compared to steel and aluminium scrap, the Group takes the management of such waste very seriously as set out in the Groups Environmental Policy (GRI 103-1). CLN Group facilities are required to take measures to reduce the impacts from effluents, by-products, residues, and waste arising from operations in order to have the smallest environmental impact possible. CLN Group facilities are required to ensure associated recovery or disposal processes are designed to pose as little risk as possible to humans and the environment. Discharge of production residues directly into rivers, streams, lakes or submarine environments is strictly prohibited.

CLN Group facilities are required to have strict processes in place for labeling, storing, handling, and transporting hazardous waste. On-site and off-site storage areas are required to effectively prevent the release of residues into the environment and must be checked regularly to ensure their integrity. The site is required to request chain of custody and ownership documentation and to use only licensed third parties for transport of hazardous waste. Where a facility has been the subject of controversy in relation to waste or residues it is required to report the issue immediately to the Groups Central EHS Department with a proposed mitigation plan.

CLN Group is conscious that that materials which have reached the end of their life within its operations or offices have much less impact on the environment when recycled or reused. All CLN sites and offices are required to have in place containers and/or bins to enable segregation of all such materials, including wooden pallets, metals, plastics, paper, and carton. These segregated materials are required to be disposed of using licensed third parties who can ensure that the materials are recycled where possible. Furthermore, CLN Group sites are required to actively seek to replace consumables and packaging with materials that can be recycled or are made from recycled or biodegradable material, for example plastics with carton for packaging. Where possible plastic packaging and wrapping are being gradually eliminated.

All CLN sites are expected to report their hazardous and non-hazardous waste to the Group's Central EHS Department monthly and to set medium term targets aligned to CLN Group targets (GRI103-2).

A total of 259,000 metric tons of waste was produced by the Group during 2020, considerably less than 2019 because of the impact of COVID-19. Hazardous waste generated by the Group is relatively small, mainly waste oil and elements contaminated with oil such as kegs or rags which are disposed of according to local legal requirements (GRI306-3; GRI306-4; GRI306-5):

<u>Metal scrap and hazardous waste (metric tons)</u>	2018	2019	2020
Non-hazardous waste – mainly metal scrap diverted from disposal and re-sold for recycling into reusable material offsite	395,501	361,473	256,158
Hazardous waste disposed of with licensed third parties for incineration offsite without energy recovery	4,127	3,996	2,689

The Group collects data monthly on the tons of non-hazardous waste, mainly represented by scrap metal which is sold for recycling. The percentage of waste recycled by the Group as a percentage of the sum of hazardous and non-hazardous waste is as follows:

Recycled waste percentage	2018	2019*	2020
Recycled waste percentage	78%	96%	96%

* Note: Part of the improvement in 2019 is due to improved data collection vs. 2018

Significant spills are required to be reported to the Corporate EHS Department (GRI102-44). No significant spills occurred during the year ended 31 December 2020, and there were no significant fines and sanctions for non-compliance with waste disposal laws and/or regulations.

Sustainability in the steel and aluminium supply chain

Since the date of the last CSR Report, there have been no significant changes to the Groups organisation or supply chain which could cause a significant economic, environmental or social impact to the Group (GRI102-10).

The Group's main purchase and supplier types are (GRI102-9):

- Raw material, principally of steel and aluminium
- Direct goods and services for production purposes
- Investments in plant, equipment and machinery
- Tooling/dies

Purchases of raw material (steel and aluminum in particular) is carried out through a limited number of large multinational manufacturers and these large suppliers are largely managed by Corporate Purchasing in Italy. Subsidiaries are informed of which suppliers they are permitted to use and the conditions of purchase.

Direct goods and services for production purposes – related directly to the production cycle – mainly include semi-finished goods, transportation, energy, maintenance, and services for payroll management and cleaning. There is a large supplier pool with suppliers mainly located in the regions in which the Group operates, given the requirement to provide prompt assistance to avoid business interruption.

Based on the preliminary unaudited closing of CLN, the total amount of purchases in 2020 was about 810 million euros. Purchases related to plant, machinery, tooling and dies represent a spot form of purchase carried out with multinational players that may be located anywhere in the world. Purchases in plant and machinery amounted to about 78 million euros.

In order to maintain the highest possible level of customer satisfaction, the Group selects its suppliers based upon objective quality and reliability characteristics, technological

innovation, and value for money. The Group uses predominantly steel and aluminium to produce its products. This means that the steel and aluminium supply chain is key to the Groups success, both in terms of quality and cost. Therefore, the Group buys steel and aluminium either directly from large multinational companies or through resale or quasi-resale mechanisms from its major customers (meaning negotiations regarding terms and conditions are carried out by the Group's customer) (GRI103-1).

The main responsibility the Group has regarding its supply chain is to ensure alignment with the Group's Code of Ethics. The Group's principal suppliers generally have extensive CSR programs, and a large amount of comfort regarding the social responsibility of these suppliers can be obtained by a regular and detailed review of their main CSR and sustainability initiatives (GRI103-2). Approximately 73% of CLN purchases are of steel or aluminium and the Group's CSR Compliance Officer has carried out a review of CLN suppliers supplying 90% of the steel and aluminium to the Group. The review included an extensive review of CSR and sustainability reports, independent audit conclusions, major CSR and sustainability initiatives. The conclusion was that these suppliers represent a low level of risk regarding CSR compliance (GRI102-44).

The other main elements of the Groups supply chain are stamped components, representing approximately 6% of total purchases and capital items representing approximately 10% of total purchases. For these suppliers, CLN Group is committed to responsible sourcing and to communicate this commitment as broadly as possible within the supply base. Where CLN becomes aware that a key supplier has policies or practices which are not aligned with the Group's Code of Ethics, the purchasing organisation is responsible for taking action to try to improve the performance of the supplier or discontinue sourcing where this is feasible.

As at 31 December 2020, a Commitment Letter has been sent to 615 suppliers chosen because of their importance to the Group. Approximately 65% of these suppliers have replied confirming their commitment to CSR. It is worth noting that for suppliers of capital goods, steel, aluminium and transport the level of commitment is over 80%. Smaller suppliers and indirect suppliers have a rather low commitment rate which the purchasing group will address going forward.

Approximately 615 of the Group's most significant suppliers have been selected to receive a Sustainability Questionnaire to gauge the level of CSR within their organizations, and some initial conclusions are already able to be drawn. The level of scoring varies greatly from one supplier to another – for example steel and aluminium suppliers score very highly whilst suppliers of capital items score quite poorly (GRI102-44).

The CSR team has decided that these written confirmations and questionnaires do not suffice because of the high number of suppliers who are not replying and the low score for certain groups of suppliers. Therefore, during 2021 and 2022, the Terms and Conditions

of suppliers will be amended to include contractual Business Ethics and Corporate Responsibility clauses on:

- Working conditions/Labour standards/Human rights
- Business ethics standards
- General environmental standards
- Conflict minerals

These revised Terms and Conditions will be rolled out during 2022 to 2025 and will allow the Group to withdraw from a supply contract in the case of non-compliance.

In January 2020 CLN joined the ResponsibleSteel initiative. ResponsibleSteel seeks to develop standards and certification to support sustainability for businesses in the steel processing supply chain. Members include important suppliers of the Group, such as ArcelorMittal and Voestalpine, and important customers such as Daimler and BMW. The ResponsibleSteel pilot for the Group is our MA plant in Treuen, Germany.

The central purchasing team has made a big effort during 2020 to share CSR requirements throughout the subsidiaries and to upgrade general knowledge on the issue. For example, during 2020, 100% of CLN Group purchasing management were trained using a tailored in-house Sustainable Procurement module, in order to further develop the the basic understanding of sustainability issues they received from the 2019 AIAG training.

April 2020

On behalf of Board of Directors

Beatrice Perris Magnetto

Member of the Board of CLN S.p.A.

APPENDIX: GRI Contents Index (GRI102-55)

GRI Standard	Disclosure	Page number	Omissions/Notes concerning coverage of GRI disclosure
GRI 101: Foundation 2016	-	-	-
GRI 102: General Disclosures 2016 - Organisational profile	102-1 Name of organisation	7	-
	102-2 Activities, brands, products and services	7	-
	102-3 Location of headquarters	7	-
	102-4 Location of operations	7	-
	102-5 Ownership and legal form	7	-
	102-6 Markets served	7	-
	102-7 Scale of the organization	7	-
	102-8 Information on employees and other workers	26	-
	102-9 Supply chain	47	-
	102-10 Significant changes to the organisation and its supply chain	47	-
	102-11 Precautionary Principle or approach	10	-
	102-12 External initiatives	14	-
	102-13 Membership of associations	15	-
GRI 102: General Disclosures 2016 - Strategy	102-14 Statement from senior decision-maker	2	-
GRI 102: General Disclosures 2016 - Ethics and integrity	102-16 Values, principles, standards and norms of behavior	9	-
	102-17 Mechanisms for advice and concerns about ethics	11,13,23	-
GRI 102: General Disclosures 2016 - Governance	102-18 Governance structure	8,11	-
GRI 102: General Disclosures 2016 - Stakeholder engagement	102-40 List of stakeholder groups	12	-
	102-41 Collective bargaining agreements	28	-
	102-42 Identifying and selecting stakeholders	13	-
	102-43 Approach to stakeholder engagement	13	-
	102-44 Key topics and concerns raised	14,15,16 24,25,29 32,33,35 42,47,48	-
GRI 102: General Disclosures 2016 - Reporting practice	102-45 Entities included in the consolidated financial statements	12	-
	102-46 Defining report content and topic Boundaries	16	-
	102-47 List of material topics	18	-
	102-48 Restatement of information	12	-
	102-49 Changes in reporting	18	-
	102-50 Reporting period	7	-
	102-51 Date of most recent report	7	-
	102-52 Reporting cycle	7	-
	102-53 Contact point for questions regarding this report	11	-
	102-54 Claims of reporting in accordance with GRI standards	2	-
	102-55 GRI content index	APPENDIX	-
	102-56 External assurance	7	-

MATERIAL TOPICS ETHICAL BEHAVIOUR			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary	18	-
	103-2 The management approach and its components	19	-
	103-3 Evaluation of the management approach	21	-
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	18,21	-
	205-2 Communication and training about anti-corruption policies and procedures	22	-
	205-3 Confirmed incidents of corruption and actions taken	21	-
GRI 206: Anti-competitive behaviour 2016	206-1 Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	21	-
MATERIAL TOPIC ENERGY			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary	37	-
	103-2 The management approach and its components	37	-
	103-3 Evaluation of the management approach	37,39	-
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	38	Energy sold is not disclosed as the Group does not sell energy.
	302-3 Energy intensity	38	-
MATERIAL TOPIC WATER			
GRI 103: Management approach 2016	303-1 Interactions with water as a shared resource	39	-
	303-2 Management of water discharge-related impacts	39,41	-
GRI 303: Water and effluents 2018	303-3 Water withdrawal	41	-
MATERIAL TOPIC CO ₂ EMISSIONS			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary	42	-
	103-2 The management approach and its components	42,44	-
	103-3 Evaluation of the management approach	42	-
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	42	-
	305-2 Energy indirect (Scope2) GHG emissions	42	-
MATERIAL TOPIC WASTE			
GRI 306: Waste 2020 - Management approach	306-1 Waste generation and significant waste-related impacts	45	-
	306-2 Management of significant waste-related impacts	45	-
GRI 306: Waste 2020	306-3 Waste generated	46	
	306-4 Waste diverted from disposal	46	
	306-5 Waste directed to disposal	46	

MATERIAL TOPIC ENVIRONMENTAL COMPLIANCE			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary	35	-
	103-2 The management approach and its components	35	-
	103-3 Evaluation of the management approach	36	-
GRI 307: Environmental compliance 2016	307-1 Non-compliance with environmental laws and regulations	37	-
MATERIAL TOPICS EMPLOYMENT, HUMAN RIGHTS and EQUAL OPPORTUNITIES			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary	24,25	-
	103-2 The management approach and its components	24,25	-
	103-3 Evaluation of the management approach	29	-
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	27	-
GRI 405: Diversity and equal opportunity 2016	405-1 Diversity of governance bodies and employees	9,29	-
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	30	-
GRI 408: Child labour 2016	408-1 Operations and suppliers at significant risk for incidents of child labour	30	
MATERIAL TOPIC OCCUPATIONAL HEALTH AND SAFETY			
GRI 403: Management approach 2018	403-1 Occupational health and safety management system	31	-
	403-2 Hazard identification, risk assessment, and incident investigation	32	-
	403-5 Worker training on occupational health and safety	35	-
Occupational health and safety	Work-related injuries	32	The Group reports alternative data using Frequency rates and Gravity rates of injury instead of reporting under GRI403-9 as this is the system used for many years and is deemed adequate by the Group
MATERIAL TOPIC TRAINING AND EDUCATION			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary	32	-
	103-2 The management approach and its components	33	-
	103-3 Evaluation of the management approach	34	-
GRI 404: Training and education 2016	404-1 Average hours of training per year per employee	33	-
	404-2 Programs for upgrading employee skills and transition assistance programs	33	Does not include transition assistance programs as these do not exist in the Group and the disclosure is therefore deemed not applicable.
	404-3 Percentage of employees receiving regular performance and career management reviews	35	Collection of data commenced during 2020 by Central HR and we expect to be able to fully comply by 2023.
MATERIAL TOPIC SOCIOECONOMIC COMPLIANCE			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary	18	-
	103-2 The management approach and its components	19	-
	103-3 Evaluation of the management approach	21	-
GRI 419: Socioeconomic compliance 2016	419-1 Non-compliance with laws and regulations in the social and economic area	21	-
GRI 415: Public policy 2016	415-1 Political contributions	21	-
GRI 418: Customer privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	21	-

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