

# Corporate Social Responsibility Report of CLN Coils Lamiere Nastri S.p.A.

4 April 2022 (2-3c.)

## Statement from the CEO of CLN Coils Lamiere Nastri S.p.A. ('CLN') (2-22)

I would like to start my statement this year by expressing my anguish at the shocking events in Ukraine. The use of force against innocent people is abhorrent to me, and CLN fully supports the robust action taken by so many governments worldwide to try to stop the war. The protection of civilians must be priority number one, and we hope fervently that the military operation is brought to a swift end to reduce further loss of life.

Our hearts go out to the Ukrainian people and their President, whose defiance, courage, and patriotism in the face of foreign aggression is an inspiration.

This Corporate Social Responsibility Report sets out information about CLN's sustainable development strategy and our policies and practices for responsible business conduct.

In the medium term, it is the strategy of CLN to manage the Group's impacts on the economy, environment, people, and human rights in a manner which is consistent with best practice in our sector and aligned with the principles of important social responsibility initiatives such as those promoted by the United Nations, the Paris Agreement, and the ILO. Our long-term vision is that CLN Group will be fully aligned with the United Nations Vision Statement and the goals of the Paris Agreement on climate change. CLN confirmed our commitment to the United Nations initiatives by signing the Statement from Business Leaders for Renewed Global Cooperation in 2020 and continues to submit a Communication on Progress Report each year in support of the Ten Principles of the United Nations Global Compact on human rights, labour, environment, and anti-corruption. CLN's medium- and long-term strategy is supported by numerous indicators which are regularly monitored by our corporate departments on at least a quarterly basis.

We are determined also that our strategy is well aligned in our business relationships, the most significant of which are our OEM customers and our suppliers of steel and aluminium. Alignment with our OEM customers is regularly verified through a wide range of formal assessments, signed commitments and regular communication received on their CSR requirements. Our suppliers of steel and aluminium tend to be large suppliers with a high level of public commitment to sustainability. Additionally, CLN is a member of ResponsibleSteel, which allows us to carefully follow the moves in the steel industry towards lower GHG steels.

CLN Group adopts a precautionary approach to Corporate Social Responsibility ('CSR') and Sustainability. Group Policies and its Code of Ethics are designed so that any activities which have the potential to cause harm to the economy, 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, and to encourage behaviour that could achieve positive impacts. To this end, CLN is using carefully chosen GRI indicators which are used to report progress regularly throughout the year and promote preventive action or improvement activities. These GRI indicators are discussed in this report.

As was the case for 2020, the presentation of our Corporate Social Responsibility Report this year is set against the terrible impact that COVID-19 has had worldwide. The impact continues to be unprecedented, and our focus has continued to be, above all, to protect our employees and collaborators, whilst managing the business to the best of our abilities, without taking undue health risks.

The year 2021 was further complicated by a shortage of semi-conductors which have caused massive disruption to the whole of the automotive industry, including CLN.

The effect of COVID-19 and the semiconductor shortage on vehicle sales has of course been significant in all the regions where we act. We have 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 philosophy. 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 for two years, 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 remain on the path of sustainability and to work closely with us to overcome these difficult times.

Despite strong headwinds CLN has maintained its short and medium-term strategic priorities for contributing to sustainable development. I would like to highlight the following key events, achievements and matters for improvement during the reporting period:

- CLN SpA has reported in accordance with the GRI Standards for the period 1 January to 31 December 2021 with reference to the Consolidated Set of the GRI Standards 2021. The Global Reporting Initiative guidelines, known as GRI Sustainability Reporting Standards, are widely used for sustainability reporting and help CLN Group to enhance transparency and comparison with other entities. CLN will increase its transparency year by year by improving our reporting aligned with GRI standards.
- Unfortunately, COVID and the broader trends in the automotive sector such as the shortage of semi-conductors has resulted in certain important indicators such as greenhouse gas emissions, water usage and energy usage not being representative of our 'normal' operating environment. Volumes have been severely depressed during 2020 and 2021 due to these trends. CLN is considering reviewing its medium-term targets during 2022 if it is felt that the medium-term targets set in 2020 are no longer helpful in contributing to our sustainable development goals.
- We are encouraged that training has improved substantially during 2021 compared to 2020 as the Group has become more accustomed to utilizing online training material and distance learning using platforms which enable training to be carried out remotely.
- The Group has made a big effort to migrate the purchase of electrical energy from low GHG sources, and it is pleasing to see that more and more such sources are available each year, especially in Europe. We are also seeing more opportunities to collaborate with private companies offering hybrid renewable energy power solutions and have projects in both Italy and South Africa to investigate such sources to support our targets.
- The introduction of ISO 14001 and ISO 45001 to all our plants is moving forward well, and on track to meet our target to have 100% of our plants certified.
- Our strategy of increasing the proportion of women in the workforce was based on a higher level of recruitment of women year by year. The low level of demand in the market has meant that for 2020 and 2021 it has not been possible to pursue this strategy as recruitment remained low.
- We were very pleased at the enthusiasm of our employees in supporting our tree planting initiative – our 2025 target has already been exceeded.

During 2020 the Group’s Board of Directors set medium term targets to be achieved by 31 December 2025, 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 is reported to the CLN Board of Directors on an annual basis. The results are as follows, and are discussed in more detail in this report:

CLN Group Board of Director’s targets 2025	Target 2025	2021
Percentage of women in the workforce	19%	14%
Certification to ISO 14001	100%	83%
Certification to ISO 45001	100%	76%
Scope 1+2 greenhouse gas emissions adjusted for green energy purchased	reduction of 14.5%	Reduction of 44% (COVID impacted)
Accumulated number of trees planted	5,000	9,000
Cubic metres of water used	Reduction of 29%	Reduction of 38% (COVID impacted)
Percentage of energy from low GHG sources	71%	44%
Hours of training on ethics topics	3	1

CLN, along with the rest of the Automotive Industry, will continue to face new challenges in the coming years to stay aligned with our long-term goals. The United Nations climate change conference concluded in November 2021 (COP 26), for example, will require us to look again at our strategies regarding greenhouse gas emissions to help secure global net zero by mid-century and keep 1.5 degrees within reach. We are determined to stay focused on our strategy and targets to make sure CLN remains on the path towards sustainable development, and to adapt our approach in accordance with best practice and global goals.

Gabriele Perris Magnetto

CEO and Member of the Board

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. (2-1a) and its subsidiaries (hereinafter also referred to as ‘the Group’ or ‘CLN’) for the year 1 January 2021 to 31 December 2021, this being the same reporting period as its financial reporting (2-3b). CLN Coils Lamiere Nastri S.p.A. is a joint stock company (Società per azioni) incorporated in Italy (2-1b). 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 2020 was published in April 2021 (2-3c) and it is the intention of the Group to prepare a CSR Report annually (2-3a). The Group has not sought external assurance for its CSR Report and does not intend to do so (2-5).

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 (2-6a):

MA | automotive metal components division (stamping, roll forming and assembly)  
MW | steel wheels division for passenger cars and light commercial vehicles

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

The Group’s objective is to be among the global leaders in the development, industrialization, and assembly of high-tech steel and aluminum products, to provide customers with tailor-made services and solutions and to become their point of reference in terms of product excellence. The Group’s main reference market is represented by manufacturers of passenger cars and light commercial vehicles (OEMs). MA and MW divisions operate in this market in their capacity as direct suppliers of components mainly made of steel. The biggest customers are the European automotive OEMs, with approximately three quarters of sales going to four OEMs. The relationships with the main customers are long-term and project based, normally aligned with the location of the CLN production facilities compared to that of the OEM delivery plant. A smaller portion of the production is also targeted towards the aftermarket, mainly represented by steel wheels, and to steel processing (2-6b.iii).

The headquarters of the Group are located at Corso Susa 13/15, 10040 Caselette (TO), in Italy (2-1c). The Group operates worldwide with subsidiaries and joint ventures in 13 countries and has significant operations (33 production facilities including 10 joint ventures)

in Italy, France, Germany, Poland, Romania, Slovakia, Portugal, Russia, South Africa, Turkey, Argentina, and Brazil (2-1d). The Group supplies its components to several of the global Automotive OEMs from the production facilities in these countries, as well as some steel wheels to aftermarket distribution networks, with sales of approximately Euro1.3 billion in the reporting period (2-6b.i).

The Group has several strong business relationships which support its activities, as follows (2-6c):

*ArcelorMittal CLN:* CLN has a 50-50 joint venture with ArcelorMittal, one of the Group's most important suppliers, which allows CLN to have access to one of the biggest networks of Steel Service Centers in Italy.

*Coşkunöz Holding:* MA and Coşkunöz have set up joint ventures together in Turkey and Romania. Coşkunöz is in the same sector as MA, which allows the two companies to pool resources to serve their mutual customers.

*Unipres:* MA and the Japanese Group Unipres founded a joint venture in France in 2002 to serve common customers - in particular Nissan and Stellantis. The relationship was deepened in 2013 when Unipres also joined as a shareholder in the MA business in Porto Real, Brazil.

*Fumiscor:* MA and Fumiscor set up a joint venture in Argentina in 2012 – FAMMA SA. The facility allows MA to meet its customers' needs in Argentina whilst having the support of a local partner.

*Topy:* MW developed a partnership with Topy Industries, a Japanese company in the wheels sector, to provide a global footprint for their customers and to share innovation on products and processes. Topy Industries is a 14% shareholder in MW and MW has a 1.5% shareholding in Topy Industries.

*Jantsa:* MW signed a joint venture agreement with Jantsa AS, a Turkish manufacturer of steel wheels, to produce steel wheels in a plant near Aydin in Turkey. The facility allows MW to meet its customers' needs in Turkey whilst having the support of a local partner.

Since the date of the last CSR Report, there have been no significant changes to the Group's activities, value chain and business relationships which could cause a significant economic, environmental, or social impact to the Group (2-6d), except for the impact of the Ukraine invasion on our subsidiary in Kingisepp, Russia. As Russia is subject to international sanctions, the Group has modified our management of the Russian subsidiary to ensure compliance with these sanction requirements.

## Corporate governance (2-9)

The main corporate governing bodies of CLN, are the Shareholders, the Board of Directors, the Board of Statutory Auditors, and the Supervisory Body (Organismo di Vigilanza), 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 Board of Directors' role is defined formally in Article 17 of the Company by-laws and Article 2380 of the Italian Civil Code. In this respect, the Board of Directors has the exclusive responsibility to make all the decisions necessary to run the Group which – among other functions – includes the analysis, sharing, and approval of annual budgets as well as monitoring the strategic, business, financial plans of the Group and the impacts of CLN on the economy, environment, and people.

The Board of Directors includes eleven members representing all the shareholders. Three Directors are Executive Directors with delegated responsibility for managing all aspects of the Group's business - Aurora Magnetto, who is CLN Chairwoman (2-11a), Gabriele Perris Magnetto who is Chief Executive Officer, while Vincenzo Perris is the Director with delegated powers. Mr. Gabriele Perris Magnetto is also the senior executive in CLN with responsibility for managing the business. The remaining eight Directors are Non-executive Directors representing the different shareholders or chosen because of their relevant competencies in the Automotive or Steel sectors. CLN is not obliged by Italian law to appoint independent Board Members. Directors to CLN's board are appointed by the shareholders according to the by-laws for a period of three years. The formal criteria applied when nominating a Board Member considers the limitations set out in Italian Civil Code article 2382. Shareholders are not excluded from being Directors.

CLN is controlled by the Magnetto family who jointly own 75% of the share capital. The remaining 25% of CLN is owned by ArcelorMittal, who are also major suppliers of steel to the Group. There are formal procedures in place to ensure CLN Board Members do not have conflicts of interest, in accordance with article 2391 of the Italian Civil Code. Article 2391 of the Italian Civil Code requires that a director must declare if he or she has a conflict with a particular resolution, and generally this director will not express a vote for such a resolution (2-11b, 2-15).

The Board of Statutory Auditors is governed by Article 23 of the by-laws CLN and Article 2403 of the Italian Civil Code. Its responsibility is to supervise compliance with the law and the articles of association and respect for the principles of proper administration and the

adequacy of the organizational, administrative, and accounting structure adopted by the company and its proper function. The Board of Statutory Auditors closely liaises with the external auditors, whose main role 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>	2019		2020		2021	
	Male	Female	Male	Female	Male	Female
Age						
< 30 years	0	1	0	1	0	1
30 - 50 years	3	0	3	0	2	0
≥ 50 years	5	2	5	2	6	2

<u>Board of Directors by %</u>	2019		2020		2021	
	Male	Female	Male	Female	Male	Female
Age						
< 30 years	0%	9%	0%	9%	0%	9%
30 - 50 years	27%	0%	27%	0%	18%	0%
≥ 50 years	46%	18%	46%	18%	55%	18%

<u>Board of Statutory Auditors</u>	2019		2020		2021	
	Male	Female	Male	Female	Male	Female
Age						
30 - 50 years	2	0	2	0	2	0
≥ 50 years	1	0	1	0	1	0

The Supervisory Body comprises two members who supervise the proper functioning of the organisation aligned with current proper practice in Italy. 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.

## Policy commitments (2-23)

The Board of Directors of CLN has voluntarily committed the Group to support the principles of the following social responsibility initiatives, which provide the instruments and guidance for Group policies and the Code of Ethics (2-23a.i., 2-23b.i.) ([www.gruppocln.com/en/our-commitments](http://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) to demonstrate CLN's efforts to implement the Ten Principles.

([www.unglobalcompact.org/what-is-gc/participants/130791-CLN-S-p-A-](http://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 in its Human Rights Policy 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 (2-23b.i.).



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.

CLN Group adopts a precautionary approach to CSR <sup>(2-23a.iii.)</sup>. 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'. To ensure the application of this approach, and due to the increasing importance in society of topics related to CSR, the Group is undertaking an 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. There is no stipulation to conduct due diligence regarding the group's policy commitments <sup>(2-23a.ii.)</sup>.

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 for workers, business partners and other relevant parties <sup>(2-23f.)</sup> (<https://www.gruppocln.com/en/download> <sup>(2-23c.)</sup>):

- 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 (2-23a.iv.)
- Policy on Working Conditions
- Equality and Diversity Policy
- Travel Policy
- Smart Working Policy
- Environmental Policy
- Supplier Policy Statement and Code of Conduct
- Conflict Minerals Policy Statement

Policy commitments apply to all the subsidiaries of the Group and are strongly encouraged for suppliers (2-23e.). They are approved at the most senior level of the organisation by the Group CEO (2-23d.). 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.

CLN is committed via its policies to cooperate in the remediation of negative impacts that are identified as attributable to any of its operations (2-25a.). To identify and address grievances, CLN policies include the appropriate mechanisms of reporting. For example, in the Business Ethics Policy and Code of Conduct, significant non-complying situations, including potentially non-complying situations, are required to be reported to Corporate Legal department as soon as they are known (2-27d.). Significant fines and sanctions for non-compliance with laws and/or regulations must be reported immediately to the Corporate Legal department. CLN commits to grant protection to employees from demotion, penalty, or other adverse consequences for refusing to participate in activities which do not conform with policies, even if such refusal may result in the site losing business (2-25b.). Remediation processes for negative impacts is also provided for in the individual policies. For example, the CLN Environmental Policy requires the tracking of noise and vibration to ensure legal limits are respected to prevent harm to our employees (2-25c.). Remedial processes are defined, including who at corporate level is responsible for monitoring and assisting in remediation activities. At production facility level, all operations are required to have safety committees in place to ensure grievances regarding health and safety are dealt with

appropriately, and the corresponding data is reported monthly to the Group EHS department to monitor compliance.

The Group CSR Officer provides a further layer of assurance regarding the effectiveness of grievance mechanisms by requiring regional CSR officers to formally report on major concerns raised during the year, so that the Group CSR Officer can then follow up remediation activities where the normal grievance channels failed (2-25e).

This CSR Report is prepared by the Group CSR Officer and is reviewed and approved by the CEO of CLN and presented at a formal Board meeting each year, including presentation of the organization's material topics. The purpose of the CSR Report is to update CLN's stakeholders on the efforts made to ensure the Group's corporate values are upheld (2-14).

### **Embedding Corporate Social Responsibility ('CSR') within the Group (2-24)**

CSR guidance and leadership are carried out by a CSR Team comprising the senior executives responsible for EHS, human resources, customers, suppliers, and finance. CSR leaders for each region are also part of the team. This guarantees a uniform approach and suitable sharing of information and responsibility (2-14). The team is coordinated by the Group CSR Officer, reporting directly to the Board Member responsible for CSR.

The Board of Directors is the highest governance body in the Group and is responsible for economic impacts, the environment, people, risk management, sustainability reporting and evaluating economic, environmental, and social performance. To support the fulfilment of these responsibilities, the CSR team led by the Group CSR Officer reports to a Member of the CLN Board, Beatrice Perris Magnetto, who is the senior executive responsible for the Group's CSR activities and impacts, and she in turn participates in Board Meetings and reports major concerns and strategy to the Group's Board of Directors at least twice per year. She also approves the annual CSR Report on behalf of the Board following their review (2-13, 2-14a). The Group CSR Officer is responsible for implementing the values, policies and commitments defined by the CEO, for CSR management for the Group, for monitoring engagement with stakeholders, and for coordination of major CSR activities within the Group (2-12).

The Board of Directors of CLN meets 3-4 times per year, and their agenda includes strategies and goals related to sustainable development. Performance against key targets set by the Board is reviewed annually to gauge the effectiveness of the Group's CSR approach and give guidance to the CSR Officer on priorities.

The responsibility to identify and report the organisations impacts on the CSR matters is delegated to the Group CSR Officer, who advises on potential mitigation strategies where required. Engagement with Stakeholders is the responsibility of the global heads of

department, supported by the Group CSR Officer. The Group CSR Officer is also the contact point for all questions regarding this report, its reported information and advice and concerns about business conduct (such as ethics, unlawful behavior), policies and practices and for CSR matters in general (a.gordon@gruppocln.com) (2-3d., 2-26a.i.). 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. To cascade CSR requirements into the regions, CSR interfaces have been nominated in each of the countries in which the Group has a subsidiary, and training is given both locally and at the Global level on all new Policy commitments.

The key priorities of the Group regarding CSR are given by the Group's Board of Directors. To monitor progress, in addition to the GRI indicators included in this report, in 2020 the Group's Board of Directors 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 monitors the evolution of these targets on an annual basis vs. the base year which was 2019:

- Percentage of women in the workforce to enhance diversity; **2025 Target: 19%** (2019: 14%)
- Percentage of production facilities certified to ISO 14001 (Environment) and ISO 45001 – Health and Safety ('H&S'); **2025 Target: 100%** (2019: ISO 14001: 89% & ISO 45001: 64%)
- Adjusted Scope 1+2 GHG emissions in support of Paris Agreement; **2025 Target: reduction in metric tons of emissions of 14.5%** (2019 = 125,499 recalculated using IEA factors instead of GHGP when the latter became unavailable)
- 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 EHS and CSR teams who request corrective action and improvement measures where required and inform the Board of Directors periodically on progress.

### **Stakeholder engagement (2-29)**

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 included in the Financial Statements using the full consolidation method are included in this CSR Report, with the following exceptions (2-2a., 2-2b):

- 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.
- Due to the continued low activity in the Automotive sector arising from COVID and the shortfall of semi-conductors in the market, some consolidations of activities were required in the Group. The San Carlo plant was closed in 2021 and there was a reorganization in South Africa to transfer the employees of Plant 3 to Plants 1 and 2. The business from Plant 8 is also in the process of being transferred to other plants during 2022. Prior year data have not been adjusted to reflect these changes (2-4). Where the impact of these plant closures has a significant impact on the data, this is explained in the relevant section of this report.

The data included in the CSR report has not been adjusted for minority interests. The impact of mergers, acquisitions and disposal of entities is described for each material topic for which it is deemed significant in understanding the data (2-2c). There are no significant restatements of data in the reporting period (2-4).

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 (2-29a.i). 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, to try to ensure as close an alignment as possible on issues that are of most importance to the parties concerned (2-29a.ii, 2-29a.iii):

- Shareholders are engaged in the CSR process through presentations at the CLN Board of Directors meetings. 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 or 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 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 (2-25b).
- 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 assessments for CSR and sustainability. The assessment 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 to have a direct voice and feedback on sustainability issues in the steel industry. Periodic meetings are held with individual steel suppliers to discuss sustainability issues and in particular lower carbon steel.
- 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.

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

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.

### **Membership of associations (2-28)**



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/](http://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 assessments 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 (2-23a.ii):

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

As of 31 December 2021, the results of the customer audits or assessments are as follows:

- Ecovadis (for Renault/PSA) – Platinum rating with a score of 73/100, which places CLN in the top 1% of companies assessed. The target is to maintain the Platinum rating and to continue to work to improve the scores in the Ethics and Sustainable Procurement sections of the assessment.
- SSSA (CNH) – The target for 2021 Self-Assessment was to be in the range over 90 points, which was achieved with a score of 90.47 in October 2021. CLN’s target will be to maintain a rating of over 90 points with SSSA.
- NQC plant level audits (German customers and Stellantis) – All 14 production facilities requested have satisfactorily completed and or maintained their audit status, with no major issues arising during 2021.
- MA Polska successfully passed a CSR onsite audit by Stellantis in early 2022 without non-compliances.

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 2021 have been fed into the analysis to define the material topics to be included in this CSR Report (2-23a.ii).

### **Process to determine material topics (3-1)**

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 considered 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/assessments 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 annual Human Resources CSR Report is prepared to refine material topics for labour and human rights.
- The main suppliers for CLN are from the steel industry. The Group therefore decided to join the ResponsibleSteel initiative in 2020, 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. Periodic meetings are held throughout the year with individual steelmakers to discuss key topics for steel purchase, in particular progress on low carbon steel.
- As explained above, the Group supports several 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 reassess 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 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.

The team seeks to avoid assumptions and subjective judgements when deciding on topics for inclusion in the CSR Report, because 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 2021 were confirmed to be the same as those discussed in the previous reporting period, as follows <sup>(3-2)</sup>:

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

The previous year's CSR Report was prepared under GRI Standards: Core Option and set out the material topics accordingly.

### **Ethical behaviour**

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 2021 report was submitted on 4 February 2022 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 risk assessment procedure covering the locations of 100% of the Group's operations using the annual Corruptions Perceptions Index published by Transparency International <sup>(GRI205-1)</sup>. The Group CSR Officer has set the criteria that those fully consolidated 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 October 2021 the analysis showed that the Group had subsidiaries in the following countries with a score below 50 on the Transparency International Index:

Slovakia (Score – 49), Romania (44), South Africa (44), Brazil (38) and Russia (30). Brazil has been nominated as the pilot for the implementation of ISO37001, an internationally recognized standard for anti-bribery management systems, with a target to reach certification in 2022. Russia has been selected as the next plant to obtain ISO37001 certification, with a target of completing the audit in 2023. Other countries with a score below 50 on the Transparency International index will be considered for ISO37001 after Russia has obtained certification and the process has been fully understood from the Brazil/Russia implementation experience (3-3, 2-25).

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 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 favoritism, whereby an employee of CLN uses his or her position to get a favored treatment for a relative or friend.

The Group's Business Ethics Policy and Code of Conduct provides guidance on how to address such risks. Business Ethics refers to anti-competitive practices, corruption and bribery, conflict of interest, fraud, money laundering and privacy (2-26a.ii). 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. 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 (2-27d).

All payments or in-kind contributions to business associations, charitable contributions or think tanks require the prior approval of the CLN Group CEO 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 have received training on the Group's policy regarding anti-competitive behaviour. 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. 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 Group CSR Officer 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 conduct, 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 on socioeconomic compliance and legal compliance (3-3) using the following metrics to double-check any major concerns about the Group's business conduct have been addressed (2-26a.i).

For the year ended 31 December 2021 we can report as follows regarding compliance with laws and regulations for the Group (2-27):

<p><b>Significant fines for noncompliance with laws and regulations in the social and economic context (GRI419-1)</b></p>	<p>No significant fines have been imposed for noncompliance with laws and regulations in the social and economic context.</p>
<p><b>Legal actions for anti-competitive behavior, anti-trust and monopoly practices (GRI206-1)</b></p>	<p>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.</p>
<p><b>Substantiated complaints concerning breaches of customer privacy and losses of customer data (GRI418-1)</b></p>	<p>There were no substantiated complaints concerning breaches of customer privacy or losses of customer data</p>
<p><b>Total values of political contributions made by the company (GRI415-1)</b></p>	<p>No political contributions were made. Such contributions are not permitted in CLN Group.</p>
<p><b>Number of information security breaches</b></p>	<p>No significant information security breaches were identified.</p>
<p><b>Confirmed incidents of corruption and actions taken (GRI205-3)</b></p>	<p>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</p>

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 to ensure that the Group’s requirements regarding business ethics are properly understood. To this end, all regional CSR officers have participated in a Business Ethics and Code of Conduct training module, and the module was made available to them to conduct training in their region and in a local language.

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 every two years. To this end, the CSR team has developed several training courses to further reinforce the understanding of ethics issues.

An intensive roll out of training on ethics was carried out to the following priority groups over the past few years and it is the intention to repeat this training biannually for those employees most at risk of incidents of corruption (GRI205-2):

- The Group's Business Ethics Policy and Code of Conduct has been communicated to 100% of employees worldwide. The Policy is communicated to most customers (over 80%) in all regions via their audit/assessment 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. Beatrice Perris Magnetto is the Board Member responsible for ethical and anti-corruption issues in the Group and participates in most CSR trainings and meetings to ensure there is an understanding of sustainable development and CSR at CLN Board of Director level (2-17).
- All 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, have received training (100%).
- All of the regional/country managers have received training (100%).
- All employees involved in purchasing activities have received training on Sustainable Procurement, including ethical behaviour (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.
- An audit was carried out by the CSR Officer during 2021 to check that standard internal training modules on Ethics issues have been rolled out at plant level. The level of training was at approximately 80% for white collar employees and executives.

A total of 4,439 people in the group have received corruption training during 2020-2021 based on the requirement in the CLN Business Ethics and Code of Conduct policy, representing 60% of the Group's employees:

<u>Employees who received training on anti-corruption</u>	2020		2020-2021 (cumul)	
	Number	%	Number	%
Italy	0	0%	394	26%
France	1	0%	330	41%
Germany	147	35%	228	56%
Portugal	59	58%	59	58%
Slovakia	12	31%	36	90%
Poland	2,185	98%	2,171	99%
Romania	268	90%	356	90%
Russia	185	99%	176	100%
South Africa	87	6%	243	18%
Brazil	95	24%	448	100%

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. This allows the CSR team to identify those areas of the Group that may not have a good understanding of the topic 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 stepped up its Internal Audit efforts during 2021 and aims to complete at least two Internal Audits per year. During 2021, the following audits were carried out with the assistance of an external expert, Deloitte, with a heavy emphasis on checking that due process was carried:

- Purchase to pay Policy (procurement) in France.
- Investment Policy in France.
- New projects in Poland
- Order to cash (sales) in Poland

No significant issues were raised to indicate Ethics violations during these audits.

To protect the Group against IT vulnerabilities, penetration tests and vulnerability assessment sessions were performed on several countries during 2021 and are continuing in 2022, with the support of a third-party expert. The expectation is that by the end of 2022 all countries will be checked with these tests. Vulnerability assessment results (i.e.

vulnerabilities regarding operating systems and/or old versions of software) are analyzed and fixed with our system administrators and suppliers support, including critical and high-level vulnerabilities.

The Group did not register significant security breaches during 2021 despite several fraud attempts (mostly via email) and malware distribution attempts. These attacks were not successful thanks to security awareness of personnel and to other technical security measures CLN has put in place (e.g., antivirus, network sensors, firewalls, SOC service). No customers data losses have been detected.

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 two senior executives of the Group plus an external member. 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:

- 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 2021 the Whistleblowing Committee dealt with three cases of Whistleblowing. A summary of the actions taken for each case was formally reported to the CEO of the Group. All the cases have been dealt with by management in a satisfactory manner.

Critical concerns are reported directly to the Group CEO as and when they arise. An annual Business Ethics and Risks report is prepared by the Group CSR Officer for the CEO of the Group and the Board Member responsible for CSR, which summarizes the critical concerns which arose during the reporting period. During the reporting period no critical concerns were communicated in the Business Ethics and Risk report <sup>(2-16)</sup>.

### **Management of employees <sup>(2-7)</sup>, human rights, and equal opportunities <sup>(3-3)</sup>**

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.

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. 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.

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 regular 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 production facilities 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. 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: 7,425 individuals in total as of December 31<sup>st</sup>, 2021. Out of these, 20% work in Italy – which hosts the Group headquarters and most of the Corporate technical and commercial offices supporting the production facilities – 29% work in Poland, 18% in South Africa, 12% in France, 6% in Germany, 6% in Brazil and the remainder in Portugal, Romania, Russia, and Slovakia. 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. The numbers reported are based on headcount, and the data in this report is that for the end of the reporting period. There have not been any significant fluctuations in the number of employees during the reporting period (2-7e).

An annual Human Resources CSR Report is also prepared outlining important considerations such as ensuring that policy commitments regarding human rights and working conditions are respected. Corporate Human Resources is responsible for taking the appropriate action based on this feedback and report to the Group CEO where appropriate (2-23a.iv).

At the end of 2021, employees hired on long-term contracts represented 94% of the total number of employees, as follows (all numbers are given in head count) (2-7a., 2-7b. 2-7c):

<u>Employees by employment contract type and gender</u>	2019			2020			2021		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Permanent contract	5,707	928	6,635	6,124	893	7,017	6,123	892	7,015
Temporary contract	570	100	670	496	154	650	318	92	410

<u>Employees by employment contract type and region</u>	2019			2020			2021		
	Perm.	Temp.	Total	Perm.	Temp.	Total	Perm.	Temp.	Total
Italy	1,403	18	1,421	1,596	3	1,599	1,511	2	1,513
France	972	2	974	945	1	946	905	4	909
Germany	356	51	407	355	63	418	359	51	410
Portugal	61	0	61	19	82	101	52	51	103
Slovakia	39	6	45	37	2	39	36	4	40
Poland	1,797	463	2,260	1,908	326	2,234	1,984	198	2,182
Romania	294	16	310	296	3	299	272	2	274
Russia	161	40	201	140	47	187	136	39	175
South Africa	1,552	74	1,626	1,331	123	1,454	1,312	59	1,371
Brazil	N/A	N/A	N/A	372	18	390	448	0	448

At the end of 2021, employees hired part-time represented only 2% of the total number of employees:

Hired personnel headcount	2019			2020			2021		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Employment type									
Full-time	N/A	N/A	N/A	6,571	980	7,551	6,394	908	7,302
Part-time	N/A	N/A	N/A	49	67	116	47	76	123

The proportion of the Group's activities that were performed by workers who were not employees was not significant during 2021.

During 2021, new employee hires and employee turnover were as follows (GRI401-1).

New employee hires and turnover by age group	2021 hires				2021 t/over			
	Male	Female	Total	Rate	Male	Female	Total	Rate
<18 years	0	0	0	0%	0	0	0	0%
18-29 years	186	43	229	35%	193	79	272	41%
30-39 years	139	48	187	10%	198	48	246	14%
40-49 years	143	33	176	7%	121	37	158	6%
50 years and above	84	14	98	4%	219	37	256	10%
<b>Total</b>	<b>552</b>	<b>138</b>	<b>690</b>	<b>9%</b>	<b>731</b>	<b>201</b>	<b>932</b>	<b>13%</b>
<i>Rate</i>	<i>9%</i>	<i>14%</i>	<i>9%</i>		<i>11%</i>	<i>20%</i>	<i>13%</i>	

  

New employee hires and turnover by region	2021 hires				2021 t/over			
	Male	Female	Total	Rate	Male	Female	Total	Rate
Europe	211	80	291	5%	379	117	496	9%
South Africa	143	44	187	14%	196	74	270	20%
Russia	68	14	82	47%	85	9	94	54%
Brazil	130	0	130	29%	71	1	72	16%
<b>Total</b>	<b>552</b>	<b>138</b>	<b>690</b>	<b>9%</b>	<b>731</b>	<b>201</b>	<b>932</b>	<b>13%</b>
<i>Rate</i>	<i>9%</i>	<i>14%</i>	<i>9%</i>		<i>11%</i>	<i>20%</i>	<i>13%</i>	

The number of new hires and turnover of employees was higher than that seen in pre-COVID years. The stop-start nature of our production processes to react to the peaks and troughs in demand, made more complex by the lack of semi-conductors in the market meant that in all regions we were forced to adjust headcount more frequently than in a pre-

COVID year. Unfortunately, this instability persists at the start of 2022. CLN is committed to strictly adhering to local government guidelines for such adjustments.

As of December 31<sup>st</sup>, 2021, about 91% of all the Group’s employees were employed through collective bargaining agreements (2-30).

<u>Percentage of employees employed through collective bargaining agreements headcount</u>	2019			2020			2021		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Total employees	6,277	1,028	7,305	6,620	1,047	7,667	6,441	984	7,425
Employed through collective bargaining agreements	4,687	661	5,348	6,160	954	7,114	5,907	866	6,773
%	75%	64%	73%	93%	91%	93%	92%	88%	91%

*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 (2-25a).

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 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, the Smart Working Policy 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 has 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.

CLN Group Corporate HR continues to monitor the implementation of smart working and gives feedback on the developments and evolution of flexible working within CLN Group during the annual human resources Corporate Social Responsibility meeting, to decide which models could be spread to other parts of the Group.

The most concerning conclusion of the analysis of headcount over the past years is the persistently low level of female representation in the workforce (2-23b.ii). 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 are managed by the Human Resources department of CLN head office. During 2021 the high level of turnover in the Group has not allowed our HR department to make any improvement in this area, and it is proving difficult to address this imbalance while recruitment is lower than turnover due to adverse market conditions (GRI405-1).

Headcount by age group	2019			2020			2021		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
<18 years	-	-	-	-	-	-	-	-	-
18-29 years	-	-	-	671	134	805	574	84	658
< 30 years	655	113	768	-	-	-	-	-	-
30-39 years	1,561	260	1,821	1,706	257	1,963	1,563	250	1,813
40-49 years	2,066	302	2,368	2,144	333	2,477	2,134	324	2,458
50 years and above	1,995	353	2,348	2,099	323	2,422	2,170	326	2,496
<b>Total</b>	<b>6,277</b>	<b>1,028</b>	<b>7,305</b>	<b>6,620</b>	<b>1,047</b>	<b>7,667</b>	<b>6,441</b>	<b>984</b>	<b>7,425</b>

Headcount by age group %	2019			2020			2021		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
<18 years	-	-	-	-	-	-	-	-	-
18-29 years	-	-	-	9%	2%	10%	8%	1%	9%
< 30 years	9%	2%	11%	-	-	-	-	-	-
30-39 years	21%	4%	25%	22%	3%	26%	21%	3%	24%
40-49 years	28%	4%	32%	28%	4%	32%	29%	4%	33%
50 years and above	27%	5%	32%	27%	4%	32%	29%	5%	34%
<b>Total</b>	<b>86%</b>	<b>14%</b>	<b>100%</b>	<b>86%</b>	<b>14%</b>	<b>100%</b>	<b>86%</b>	<b>14%</b>	<b>100%</b>

To ensure that the Group's objectives regarding management of employees, human rights and equal opportunities are met, a specific Labour and Human Rights CSR report was introduced through which the Corporate Human Resources department reports to the Board Member responsible for CSR matters and the Corporate 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 2021 are as follows (2-23a.iv):

- The employment circumstances of all employees under the age of 18 in the Group are investigated by Corporate Human Resources every trimester. No incidents of child labour were found to have taken place in any of the Group's operations. 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 of 31 December 2021. The target set by the CLN Board is to reach the target of 19% by 2025. Due to the falling level of demand since 2019, it has not been possible to improve the proportion of women in either 2020 or 2021 as there was unfortunately a low recruitment level. Due to the poor progress towards the target of women in the workforce, Corporate HR has launched a specific Action Plan for HR with a target of actively engaging all regions in proactive initiatives to help increase the proportion of women working in CLN.
- The MW plant in Kingisepp, Russia does 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 audits 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 to support the BBBEE programme. During 2021, MA South Africa was at a Level 3. A new audit will be undertaken by the relevant authorities during 2022, and with the target to remain at Level 3.
- The percentage of employees receiving performance and career development review is relatively low. A specific project will be undertaken to increase this level over the next few years.
- The high levels of part time employees identified in 2020 in MAAP (Portugal) and MAP (Poland) seem to be moving in the right direction, with reductions seen in both entities during 2021.

During 2021 no major incidents of discrimination were reported to the senior management of the company for race, colour, sex, religion, or political views. During 2021 no major incidents of discrimination were reported through the Whistleblowing portal (GRI406-1).

## Occupational health and safety ('H&S') <sup>(3-3)</sup>

The topic of occupational H&S has been the Group's main priority 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.

As in 2020, this has been particularly important during 2021 with the continued impact of COVID. During the year the Group continued the vigorous safety measures introduced in 2020 and continued to apply the 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 committee has been put in place, including the representatives of our employees, to monitor the evolution of infection and to define and share remedial measures and action plans. 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 from time to time when infections increased. Smart working has been maintained at a high level throughout the Group during 2021.

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 of 31 December 2021, 76% of the facilities had achieved certification, a good step up from 2020. A total of 7 production facilities are planning to undergo audit for certification during 2022, with the last plant in the Group scheduled for 2023. 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).

Safety managers and officers are present in each CLN plant. 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 production facilities 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 was the plant in Portugal. Therefore, during 2021, local management and our Group EHS officers have put in place a Safety and Environment committee in Portugal.

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 production facilities in the Group (GRI403-2).

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

<u>Safety metrics</u>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Frequency Rate/Injury rate (n° accidents/n° hours worked)	3.25	2.68	3.14
Gravity Rate/Lost day rate (n° days of absence due to injury/n° hours worked)	0.12	0.12	0.15

There were no fatalities during 2021. The improvement of the Frequency Rate seen up to 2020 was not maintained during 2021 and was worse than the target, which was 2.52, but aligned with 2019 which was a normal year of operations. The Gravity Rate in 2021 was also slightly worse than in 2020 and above the 2021 target, which was 0.09. The number of injuries rose to 46 in 2021 from a 35 in 2020 (which was a year characterized by lockdowns and COVID emergency measures), and the number of days lost rose to 2,206 from 1,585 in 2020. The 2021 days lost include a significant number of days carried over from 2020 injuries. Those production facilities that suffered an unacceptable level of injuries are being carefully monitored by our Group safety team, who report to the Group CEO every three months with detailed action plans.

In terms of individual plants:

- MA Atessa plant 2 entered operations during 2021. Group Safety officers are aligning the plant to CLN standards with a dedicated action plan.
- Chivasso plant registered a cluster of injuries in the first month of 2021. An urgent intervention was carried out immediately and the performance improved significantly with only one injury registered in the second half of 2021. A special Pilot project is being tested in Chivasso called ‘Change management in safety’ where supervisors are more deeply involved.
- There were a cluster of injuries also in the Polish plants of Kielce and Tychy which our analysis showed were human error and behavioral issues. A specific re-training program was introduced with close follow up by Corporate EHS.
- There was a high level of registered days off in the Eurostamp plant in France (480 days). However, these days relate to a 2020 accident where the operator remains unable to return to work.

Our corporate H&S officers were unable to perform many overseas plant audits during 2021 due to COVID restrictions, and this has made it difficult for them to focus on shop floor activities outside Italy. There was a strong focus on Italian plants however - 8 audits have been performed in Italian plants with detailed action plans and follow-up measures in place. Safety audits overseas will be re-launched in 2022 as soon as restrictions are lifted with a clear focus on the most critical regions and plants.

MA celebrated the “World Day for Safety and Health at Work 2021”, promoted by ILO on 28 April to stimulate the engagement all employees in safety at work and promote a culture of health and safety. Dedicated information and posters were distributed, and all plants organized 5 minutes of training on safety to remind employees on the importance of vigilance and to remind them to raise a hand to draw attention to any risks in their daily activities.

### **Training of employees (3-3)**

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.

The Group has carried out almost 137,000 hours of training in 2021. Although this represents an increase compared to 2020, it is still well below the training undertaken in pre-COVID 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>	2019			2020			2021		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Executives	942	267	1,209	427	147	574	616	180	796
Employees (White collar)	43,458	15,315	58,773	16,053	7,865	23,918	19,152	5,296	24,447
Manual workers (Blue collar)	137,799	20,258	158,057	87,456	7,836	95,292	103,176	8,529	111,705
<b>Total</b>	<b>182,199</b>	<b>35,840</b>	<b>218,039</b>	<b>103,936</b>	<b>15,848</b>	<b>119,784</b>	<b>122,945</b>	<b>14,005</b>	<b>136,949</b>

<u>Average hours of training by category (n° of hours)</u>	2019			2020			2021		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Executives	11	21	12	5	11	6	7	10	7
Employees (White collar)	41	36	40	15	19	16	21	13	18
Manual workers (Blue collar)	27	34	28	16	13	16	19	15	19
<b>Total</b>	<b>29</b>	<b>35</b>	<b>30</b>	<b>16</b>	<b>15</b>	<b>16</b>	<b>19</b>	<b>14</b>	<b>18</b>

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 production facilities which are falling behind are engaged individually (2-23f). Due to the Group being involved in manufacturing, the biggest portion of training carried out is to enhance HS&E and technical-professional skills (GRI404-2).

Type of training offered (n° of hours)	2019			2020			2021		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Technical-professional skills	79,858	16,232	96,090	30,309	5,373	35,682	33,294	3,785	37,079
Health, Safety and Environment	40,212	5,178	45,390	49,920	5,241	55,161	55,396	6,643	62,039
Management skills	35,066	6,616	41,682	5,114	1,622	6,736	18,935	137	19,072
Ethics	5,018	1,220	6,238	9,097	1,637	10,734	5,375	1,287	6,662
Languages	-	-	-	1,533	854	2,387	417	146	563
Cybersecurity	-	-	-	197	137	334	1,278	330	1,609
Other types	22,044	6,594	28,638	7,766	984	8,750	8,249	1,676	9,925
<b>Total</b>	<b>182,198</b>	<b>35,840</b>	<b>218,038</b>	<b>103,936</b>	<b>15,848</b>	<b>119,784</b>	<b>122,945</b>	<b>14,005</b>	<b>136,949</b>

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. The Group's Board has set a target of 3 hours per year per white collar employee by 2025 on Ethics issues. The current trend does not show any progress in this respect. As part of the 2022 Internal CSR Audit the regions will be individually assessed to determine why training on such issues is not at the required level.

During 2021, due to the increasing level of Cybercrime, a special initiative was launched to increase the training and awareness on this issue, which is reflected in the higher level of training hours compared to 2020.

The training of senior management on Business Ethics is carried out by the Corporate CSR Officer, and all regional CSR Officers and regional managers have received training. Specific in-house training courses have been prepared on several important ethics topics, and local management is rolling out the training locally. Regional CSR Officers in the different regions of the Group are responsible for cascading these training modules in their regions.

As employee safety is a priority within the Group, safety training and employee involvement in safety issues are considered one of the most important objectives of training, 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 daily - 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 2021 was the biggest component of training hours (GRI403-5).

During 2020 the Group started to measure the percentage of employees receiving regular performance and career development reviews to start to review this topic on a regular

basis. During 2021 the percentage of employees receiving such a review has increased substantially due to this initiative as follows (GRI404-3):

<u>Percentage of total employees receiving performance review</u>	2019			2020			2021		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Executives				18%	15%	24%	54%	42%	52%
White collar		N/A		21%	18%	26%	26%	24%	26%
Blue collar - Indirect				17%	12%	18%	11%	9%	11%
Blue collar – Direct				11%	11%	16%	13%	7%	12%

### Environmental compliance (3-3)

The Group’s production processes involve a wide range of metal manufacturing processes performed at its production facilities. Such processes require the use of significant natural and energy resources which thus have an environmental impact. CLN is aware that environmental protection is a key factor in determining the approach to corporate activity.

Guidance on environmental compliance is set out in the Groups’ 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.

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

The Group has a Corporate Environmental department which reports to the Group Corporate Environment, Health & Safety manager, who in turn reports to the Group CEO. The focus of the Environmental department is on the following:

- 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 production facilities 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 certified by December 2025. As of 31 December 2021, 83% of the Group's facilities have an ISO 14001:2015 certification, which is aligned with Group targets. During 2022 three further production facilities are planning to certify in accordance with ISO 14001:2015 (Valenca, Dragasani, and Achim).

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 Corporate EHS department and local customers. 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 monthly. These indicators are collected and monitored by CLN Group Corporate EHS department to identify and act on areas of concern.

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 2021 (GRI307-1).

### **Energy use and efficiency (3-3)**

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.

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.

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 Corporate EHS department every month. Corporate 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. The Corporate 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. The "Energy efficiency project" continues to encourage production facilities to engage in energy efficiency and the best ideas are spread across the production facilities. Some examples of such projects in 2021 are:

- Ongoing replacement of standard lamps with LED and installation of remote-control devices.
- MA Automotive Tool & Die has entered discussions with a South African company to try to negotiate a Power Purchase Agreement for the purchase of renewable energy.

For the year 2021, the Group's energy consumption was above 2020 levels, but still significantly below the level of 2019. This reduction was largely due to the impact of COVID and the shortage of semi-conductors for the Automotive industry which significantly reduced the Group's activities, and which have still not returned to normal levels as at the date of this report (GRI302-1, GRI302-3):

<u>Energy consumption (GJ)</u>	2019	2020	2021
Electrical energy consumption	841,862	692,447	734,377
<i>Of which from renewable sources</i>	<i>Not available</i>	<i>144,867 (21%)</i>	<i>531,799 (72%)</i>
Fuel consumption for heating from non-renewable sources (*)	517,533	446,074	466,056
<b>Total energy consumption</b>	<b>1,359,395</b>	<b>1,138,521</b>	<b>1,200,433</b>

<u>Energy Intensity within the organisation</u>	2019	2020	2021
Electricity Intensity Ratio within the organisation (Total energy consumption x 1000/Standard hours)	123	127	125
	<b>2019</b>	<b>2020</b>	<b>2021</b>
Fuel Intensity Ratio within the organisation (Total energy consumption x 1000/Standard hours)	76	82	79

During 2021 a small amount of energy amounting to 574GJ was sold back to the network from electricity produced and not consumed by the photovoltaic plants in MA Melfi and CLN Caselette.

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, solar 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 Corporate department on a regular basis, and the results of this initiative will be reported to the Group's Board each year. For the year ended 31 December 2021, the Group purchased

72% of its electrical energy from low or zero carbon sources, well above the target for the year and a significant improvement compared to 2020.

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 production facilities in Germany, but the conclusion was that these investments were economically justifiable. Solar power studies are taking place in South Africa, Brazil, Poland, Portugal, Romania, and Turkey to determine feasibility.

During 2022, the following energy efficiency projects are planned:

- Further roll out of LED to reduce energy consumption.
- Pilot of CM-SMART system for compressed air in Atessa 1 and Melfi plants, including valve shut off function on compressors used when machines are idle and for pressure control.

### **Water use (3-3)**

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 uses and alteration of water sources by facilities is directly linked to good management within the operations, and as such the Group can 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 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 Corporate 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 in the review carried out in March 2021, for the sites operating in Melfi Italy, MA Rosslyn South Africa, and MW Romania. A Consolidated Water Stress Action Plan 2021 was put in place to monitor the situation in these production facilities and to take appropriate action.

All CLN sites are expected to report their water consumption and the amount of water recycled and reused to Groups Corporate EHS department monthly, 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 2021 the Group has withdrawn 338,000 m<sup>3</sup> of water from third-party water suppliers during the year, a significant reduction compared to the previous year. However, when the

impact of closure of San Carlo Plant (Italy) and Plant 3 in South Africa is taken into account (which reduced water usage by 122,000 m<sup>3</sup>), the amount of water used in 2021 was approximately the same as in 2020 (GRI303-3):

Water withdrawal (megaliters)	2019	2020	2021
Freshwater withdrawn from third party municipal water supplies or private utilities measured using installed water meters*	542	461	338
Of which from areas with water stress drawn from surface water (MW South Africa plant, Port Elizabeth)	17	10	0

\* 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” continues to encourage production facilities to engage in substantial water efficiency actions, and these projects are reviewed centrally an annual basis to spread the best ideas across the production facilities. Examples of such projects in 2021 include the use of groundwater for toilets in Rosslyn, the installation of 8 hydrometers in MA Brazil to better monitor consumption, and re-use of demi-water in MW Romania for rinsing in the paint line.

To support the reuse of water, an indicator of water recycled and reused is reported monthly to the Corporate EHS department:

Water recycled and reused (megaliters)	2019	2020	2021
Total volume of water recycled and reused*	5	5	7

  

	2019	2020	2020
Total volume of water recycled and reused as a percentage of water withdrawn	1%	1%	2%

\* 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 (3-3)

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. The Group reports to 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.

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 emissions target for 2025 has been allocated by region and plant in order to be able to identify those areas where additional emphasis may be required.

As from 2021, the Group is going to start monitoring an emissions intensity figure calculate according to market standards as - Scope 1 + Scope 2 emissions/Total revenue in Euro. The emissions intensity figure for 2021 is 0.085 Kg of CO<sub>2</sub> per Euro.

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.

Oversight for climate related risk and opportunity is the responsibility of the Group EHS Corporate 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 CO<sub>2</sub> equivalent, and consolidated by Group EHS Corporate department for reporting to the CEO. In 2021 the Group’s direct and indirect CO<sub>2</sub> amounted to 107,164 metric tons of carbon dioxide equivalent, which is lower than expected due to the impact of COVID and the shortage of semi-conductors in the market which reduced vehicle production (GRI305-1, GRI305-2).

<u>Group SCOPE 1 - tCO<sub>2</sub>e from fuel combustion on site</u>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Direct CO <sub>2</sub> emissions (metric tons of CO <sub>2</sub> equivalent)	18,539	14,506	14,199
<u>Group SCOPE 2 - tCO<sub>2</sub>e from electricity purchased</u>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Indirect CO <sub>2</sub> emissions (metric tons of CO <sub>2</sub> equivalent)	106,960	89,591	92,965
<u>Group SCOPE 1+2 - tCO<sub>2</sub>e</u>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Total direct and indirect emissions (location based)	125,499	104,097	107,164
<i>Note: Estimation adjusted for energy coming from green sources (market based)</i>	<i>114,176</i>	<i>89,230</i>	<i>64,211</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 are 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 Corporate 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 Board 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 of 31 December 2021, CLN Group has planted the following number of trees:

- MW division – 3,820 trees accumulated
- MA division – 5,270 trees accumulated

The 2025 target has already been exceeded by 4,000 trees on 31 December 2021, much earlier than expected.

CLN actively encourages its subsidiaries to reduce the emissions from transport. To this end, the Group Travel Policy has 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. 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 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 be approved by the Divisional CEO.

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 (3-3)**

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 are by far the most significant input required for the Group's activities, and therefore more than 98% 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. In fact, more than

80% 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 production facilities 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 2021, the Group has re-sold about 280,000 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. CLN Group facilities are required to take measures to reduce the impacts from effluents, bye-products, residues, and waste arising from operations 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. CLN facilities are 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 Corporate EHS department with a proposed mitigation plan.

CLN Group is conscious 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 eliminated.

All CLN sites are expected to report their hazardous and non-hazardous waste to the Group's Corporate EHS department monthly and to set medium term targets aligned to CLN Group targets.

A total of 281,000 metric tons of waste was produced by the Group during 2021, which although higher than 2020, was still considerably less than a 'normal' year like 2019 because of the impact of COVID and semi-conductor shortages in the Automotive sector. 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>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Non-hazardous waste – mainly metal scrap diverted from disposal and re-sold for recycling into reusable material offsite	361,473	256,158	278.457
Hazardous waste disposed of with licensed third parties for incineration offsite without energy recovery	3,996	2,689	2,602

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:

<u>Recycled waste percentage</u>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Recycled waste percentage	96%	96%	98%

Significant spills are required to be reported to the Corporate EHS department. There was a water-based spillage in South Africa during 2021 which did not cause any major impacts due to the rapid and transparent management carried out at the plant, and the cleanup operations were successfully completed. No other significant spills occurred during the year ended 31 December 2021, 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 (3-3)**

The Group's main purchase and supplier types are (2-6b.ii):

- 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 coils and plate in particular) is carried out through approximately 10 large multinational manufacturers and these large suppliers are largely managed by Corporate Purchasing in Italy. In fact, more than 70% of CLN purchases are of steel or aluminium come from this small number of suppliers. These companies generally have extensive CSR reporting available for review and have long term business relationships with the Group. Subsidiaries are informed of which suppliers they are permitted to use and the conditions of purchase, and the steel or aluminium mill used is normally chosen because of its relatively close geographic location to the CLN plant concerned. The steel sector has special characteristics regarding GHG emissions due the high use of coal in the production process. CLN is therefore a member of ResponsibleSteel

to monitor developments for low carbon steel in the sector and has regular updates from its suppliers in face-to-face meetings.

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.

The Group emitted a new Supplier Policy statement and Code of Conduct in May 2021 to set out the guidelines that CLN expect suppliers to follow regarding Corporate Social Responsibility issues. The policy is published on the Group website, and CLN calls upon its suppliers to encourage their subcontractors to comply with the guidelines set out.

The Conflict Minerals Policy Statement adopted by the Group in January 2021 sets out the goal of ensuring that only Conflict Free minerals are used in the materials and products purchased, and to direct procurement choices towards suppliers that align with the principles expressed in this statement.

Based on the preliminary unaudited closing of CLN, the total amount of purchases in 2021 was about 920 million euros. Of this 750 is for purchases of steel or aluminium coils and plate. 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 81 million euros.

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).

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. Approximately 75% of CLN purchases are of steel or aluminium and the Group's CSR Compliance Officer has carried out a review of CLN suppliers supplying 92% 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.

The other main elements of the Groups supply chain are stamped components, representing approximately 10% of total purchases and capital items representing approximately 9% 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.

The purchasing department was not satisfied by the level of response to the Commitment Letter which was sent to the most important suppliers of the Group. Consequently, an annex to the supplier Terms and Conditions has been drafted and is being included with new purchase orders to important suppliers from 2022 onwards. This means that the Group's CSR requirements will become a formal requirement on those suppliers for every new purchase order issued. The new annex to the terms and conditions of suppliers includes Business Ethics and Corporate Responsibility clauses on:

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

These terms and conditions annex 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.

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. A campaign has been launched to remind those suppliers that have not replied that this questionnaire is mandatory in the context of the Group's CSR efforts.

CLN is a member of 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.

On behalf of Board of Directors

Beatrice Perris Magnetto

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

## APPENDIX: Content Index according to GRI-1: Foundation 2021

CLN Coils Lamiere Nastri S.p.A. has reported the information cited in this GRI content index for the period 1 January 2021 to 31 December 2021 with reference to the GRI Standards

GRI Standard	Disclosure	Page number	Omissions/Notes concerning coverage of GRI disclosure
GRI 2 General Disclosures 2021	2-1a. Legal name of organisation	8	-
	2-1b. Nature of ownership and legal form	8	-
	2-1c. Location of headquarters	8	-
	2-1d. Countries of operation	9	-
	2-2a. Entities included in the sustainability reporting	17	-
	2-2b. Difference of entities with financial reporting	17	-
	2-2c. Approach for consolidating information	17	-
	2-3a. Reporting period	8	-
	2-3b. Financial reporting period	8	-
	2-3c. Publication date of CSR report	1	-
	2-3d. Contact point for questions regarding this report or reported information	16	-
	2-4 Restatement of information	17	-
	2-5 External assurance	8	-
	2-6a. Sectors in which CLN is active	8	-
	2-6b.i. Activities, products and markets served	8	-
	2-6b.ii. Supply chain	52	-
	2-6b.iii. Entities downstream from the organisation and their activities	8	-
	2-6c. Relevant business relationships	9	-
	2-6d. Significant changes in activities, value chain and business relationships	9	-
	2-7 Information on employees	28	-
	2-8 Workers who are not employees	-	CLN does not have a significant number of workers who are not employees.
	2-9 Governance structure and composition	10	-
	2-10 Nomination and selection of the board of directors	-	CLN cannot comply with this disclosure because the required information is confidential
	2-11 Chair of the highest governance body	10	-
	2-12 Role of highest governance body in overseeing the Management of impacts	15	-
2-13 Delegation of responsibility for managing impacts	15	-	
2-14 Role of the highest governance body in sustainability reporting	15	-	
2-15 Conflicts of interest	10	-	
2-16 Communication of major concerns	28	-	
2-17 Knowledge of the highest governance body	26	-	
2-18 Evaluation of the performance of the highest governance body	-	CLN cannot comply with this disclosure because the required information is confidential	
2-19 Remuneration policies	-	CLN cannot comply with this disclosure because the required information is confidential	
2-20 Process to determine remuneration	-	CLN cannot comply with this disclosure because the required information is confidential	
2-21 Annual total compensation ratio	-	CLN cannot comply with this disclosure because the required information is confidential	
2-22 Statement from senior decision-maker	2	-	
2-23 Policy commitments	12	-	
2-24 Embedding Corporate Social Responsibility within the Group	15	-	
2-25 Processes to remediate negative impacts	14,15,18,23,32	-	

GRI Standard	Disclosure	Page number	Omissions/Notes concerning coverage of GRI disclosure
	2-26 Mechanisms for seeking advice and raising concerns	16,23,24	
	2-27 Compliance with laws and regulations	14,24,25	
	2-28 Membership of associations	19	-
	2-29 Stakeholder engagement	17	
	2-30 Collective bargaining agreements	32	-
<b>GRI 3: Material Topics 2021</b>	3-1 Process to determine material topics	20	-
	3-2 List of material topics	22	-
<b>MATERIAL TOPIC ETHICAL BEHAVIOUR</b>			
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	23	-
<b>GRI 205: Anti-corruption 2016</b>	205-1 Operations assessed for risks related to corruption	22,25	-
	205-2 Communication and training about anti-corruption policies and procedures	26	-
	205-3 Confirmed incidents of corruption and actions taken	25	-
<b>GRI 206: Anti-competitive behaviour 2016</b>	206-1 Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	25	-
<b>MATERIAL TOPIC ENERGY</b>			
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	42	-
<b>GRI 302: Energy 2016</b>	302-1 Energy consumption within the organisation	42	-
	302-3 Energy intensity	42	-
<b>MATERIAL TOPIC WATER</b>			
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	44	-
<b>GRI 303: Water and effluents 2018</b>	303-3 Water withdrawal	46	-
<b>MATERIAL TOPIC CO<sub>2</sub> EMISSIONS</b>			
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	46	-
<b>GRI 305: Emissions 2016</b>	305-1 Direct (Scope 1) GHG emissions	47	-
	305-2 Energy indirect (Scope2) GHG emissions	47	-
<b>MATERIAL TOPIC WASTE</b>			
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	49	-
<b>GRI 306: Waste 2020</b>	306-2 Management of significant waste-related impacts	50	-
	306-3 Waste generated	51	
	306-4 Waste diverted from disposal	51	
	306-5 Waste directed to disposal	51	

GRI Standard	Disclosure	Page number	Omissions/Notes concerning coverage of GRI disclosure
<b>MATERIAL TOPIC ENVIRONMENTAL COMPLIANCE</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	40	-
GRI 307: Environmental compliance 2016	307-1 Non-compliance with environmental laws and regulations	42	-
<b>MATERIAL TOPICS EMPLOYMENT, HUMAN RIGHTS and EQUAL OPPORTUNITIES</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	28	-
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	31	-
GRI 405: Diversity and equal opportunity 2016	405-1 Diversity of governance bodies and employees	11.33	-
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	34	-
GRI 408: Child labour 2016	408-1 Operations and suppliers at significant risk for incidents of child labour	34	-
<b>MATERIAL TOPIC OCCUPATIONAL HEALTH AND SAFETY</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	35	-
GRI 403: Management approach 2018	403-1 Occupational health and safety management system	35	-
	403-2 Hazard identification, risk assessment, and incident investigation	36	-
	403-5 Worker training on occupational health and safety	39	-
Occupational health and safety	Work-related injuries	36	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
<b>MATERIAL TOPIC TRAINING AND EDUCATION</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	37	-
GRI 404: Training and education 2016	404-1 Average hours of training per year per employee	38	-
	404-2 Programs for upgrading employee skills and transition assistance programs	38	Incomplete - Does not include transition assistance programs as these do not exist in the Group. At this point in time the group has not established a timeframe to obtain this information.
	404-3 Percentage of employees receiving regular performance and career management reviews	40	Incomplete - Collection of data commenced during 2020 by Central HR and we expect to be able to fully comply by 2023.
<b>MATERIAL TOPIC SOCIOECONOMIC COMPLIANCE</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	24	-
GRI 419: Socioeconomic compliance 2016	419-1 Non-compliance with laws and regulations in the social and economic area	25	-
GRI 415: Public policy 2016	415-1 Political contributions	25	-
GRI 418: Customer privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	25	-