

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

30 April 2024 (2-3c.)

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

The automotive industry has been in a state of crises over the last three years due to the Covid pandemic, semiconductor shortages, the wars in Ukraine and the Middle East, and ongoing supply chain disruptions. The automotive supply industry continues to suffer from these crises, with global automotive market volumes still below pre-Covid levels and not expected to reach 2017/18 peak volumes until the end of the decade. The volatility in the global economy is likely to continue for some time with resolution some years away. In Europe, where most of CLN's plants are located, there is an even greater loss of growth momentum and automotive suppliers are struggling to compensate for this decline. Production volumes in Europe have fallen from a peak production of 22Mio passenger cars in 2018 to approximately 17Mio passenger cars in 2023. In addition to declining volumes, inflation, commodity price volatility and tight labour markets are causing considerable financial stress in the automotive supply base as customers are unwilling to compensate for cost increases.

Against this tough economic scenario, we are determined to continue to make sustainable development and corporate social responsibility a cornerstone of CLN's strategy. It is more important than ever to ensure we do not lose sight of our objectives and responsibilities because of this market upheaval.

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. We have confirmed CLN's continued support of the United Nations Global Compact initiative and its principles by signing the corresponding Statement from the Chief Executive Officer on 28 March 2023. CLN will continue to make public an annual disclosure to our stakeholders in support of the Ten Principles of the United Nations Global Compact on human rights, labour, environment, and anti-corruption by adhering to the UN Policy on Communication on Progress, which is effective from 2023.

Our long-term vision is that CLN will be fully aligned with the United Nations Vision Statement and the goals of the Paris Agreement on climate change. CLN supports the goal of The Paris Agreement for net zero in the second half of this century and has set targets for the Group to support this goal.

CLN's medium-term and long-term strategy is supported by several indicators which are regularly monitored by our corporate departments on at least a quarterly basis, covering the

impacts of the Group on the economy, the environment, and our workforce. Targets for 2030 were established by the CLN Board of Directors. These targets are also designed to ensure 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 regarding their CSR requirements. Our suppliers of steel and aluminium tend to be large companies with a high level of public commitment to sustainability.

The 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 has adopted carefully chosen GRI indicators which are used to report progress regularly throughout the year and to promote preventive action or improvement activities. These GRI indicators are discussed in this report.

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 big challenge for us. Respect for the environment and our commitment to work ethically will continue to be key to our philosophy. This will require the continued support of our team worldwide, who have shown a high level of adaptability, often in very trying circumstances, and I would like to thank them again for having risen to the challenge in such a robust manner during 2023.

We recognize that the current business and political environment continues to have 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. CLN's main challenges for the next few years regarding sustainable development will be to comply with the Corporate Sustainability Reporting Directive (CSRD) and to be able to measure and report Scope 3 GHGs. The CSRD entered into force on 5 January 2023. This new directive modernises and strengthens the rules about the social and environmental information that companies

must report. CLN will be subject to the CSRD, and we will therefore report according to European Sustainability Reporting Standards (ESRS) from 2026. We have already started working on the requirements with our external assessors to be able to meet the challenging deadlines. The new rules will ensure that investors and other stakeholders have access to the information they need to assess investment risks arising from climate change and other sustainability issues. They will also create a culture of transparency about the impact of companies on people and the environment.

CLN currently reports only Scope 1&2 GHGs. To support our customers, improve our score on the Carbon Disclosure Project, and properly support the Paris Agreement long term, it is important for CLN to be able to properly monitor Scope 3 GHGs, these being GHGs occurring upstream and downstream from the Group’s facilities. A team has been put in place under the leadership of our global Environmental Health and Safety officer to set out a roadmap for collecting data on Scope 3 GHGs and to investigate whether Science-based targets will help us to provide a clearly defined pathway to reduce GHG emissions. This will require a considerable effort for our organisation.

The Group’s targets for 2030 are based on improvement compared to the base year of 2019. The Group’s Board of Directors set medium term targets to be achieved by 31 December 2030, to better focus the group on the material topics of the Group’s Stakeholders – GHG emissions, low carbon energy, water use, tree planting, diversity, and CSR training. The performance against these targets will be reported to the CLN Board of Directors on an annual basis. During 2023 the Group made good progress on the achievement of the targets, as follows:

2030 Group CSR Targets Target description	2023	Target 2030
Reduction of Scope 1 & 2 GHG emissions (adjusted for clean energy sources) – base 2019 125,499 tCO <sub>2</sub> e	Reduction of 27%	Reduction of 50%
Increase in clean energy used by the Group - base 2019 1,365,113 GJ	25% from clean sources	50% from clean sources
Plants certified according to ISO14001	90% of facilities certified	100% of facilities certified
Plants certified according to ISO45001	86% of facilities certified	100% of facilities certified
Percentage of women in executive & white-collar jobs - base 2019 28%	29%	35%
Suppliers who have been issued CSR Terms and Conditions Addendum (excluding steel and aluminium suppliers)	100% of suppliers	70% of suppliers
Hours of training on CSR issues	10 hours per employee	10 hours per employee
Reduction of water usage - base 2019 542,120 cubic metres	Achieved	Reduction of 15%
Accumulated trees planned since 2019 – base 2019 1,200 trees	18,098 trees	15,000 trees

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. We are determined to stay focused on our strategy and targets to make sure CLN remains on the path of 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 2023 to 31 December 2023, 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 2022 was published in April 2023 (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 until 2026 (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 in the European market of steel distribution and re-rolling of flat steel products with its Steel Service Centre businesses.

The headquarters of the Group is located at Corso Susa 13/15, 10040 Caselette (TO), in Italy (2-1c.).

The full list of 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. (Turkey) concerning H&S at the workplace and environment 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.

- Data for Coskunoz MA S.R.L. (Romania) concerning H&S at the workplace and environment is included in this CSR Report despite being included in the Group's Consolidated Financial Statements under the cost method. This is because the Group feels responsible for promoting EHS in this joint venture.

The main corporate and operating entities with a material impact on this CSR report are as follows:

CLN S.p.A. (Italy)

CLN Slovakia s.r.o. (Slovakia)

MW Italia SRL (Italy)

MW Lublin Sp Zoo (Poland)

MW France S.A. (France)

MW Kingisepp LLC (Russia)

MW Romania S.A. (Romania)

MA SRL (Italy)

MA Polska S.A. (Poland)

MA France S.A.S. (France)

Eurostamp S.A.S. (France)

IDEST S.A.R.L. (France)

MAAP-MA Automotive Portugal S.A. (Portugal)

MA Automotive South Africa (Pty) Ltd (South Africa)

MA Automotive Deutschland GMBH (Germany)

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).

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).



## 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, and financial plans of the Group and the impacts of CLN on the economy, environment, and people.

The Board of Directors includes nine 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 jointly with Aurora Magnetto, while Vincenzo Perris is the Director with delegated powers. Mr. Gabriele Perris Magnetto is also the senior executive at CLN with responsibility for managing the business. The remaining six 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 a privately owned company and the disclosure of the nomination and selection process, and the criteria used for appointing members of the Board of directors have been omitted from this CSR report due to confidentiality constraints and to protect the privacy of the individuals concerned (2-10). Likewise, due to confidentiality constraints and to protect the privacy of the individuals concerned, the evaluation of performance of the directors (2-18), the remuneration policies for directors (2-19), the process to determine remuneration (2-20) and the annual compensation ratio (2-21) have not been set out in this CSR report.

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. Any conflict of interest that has been declared by a director is disclosed to the relevant stakeholders, including conflicts of interest relating to cross-board membership, cross-sharing with suppliers and other stakeholders, the existence of controlling stakeholders and relationships with related parties (2-11b., 2-15).

The Board of Statutory Auditors is governed by Article 23 of the by-laws of 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>	2021		2022		2023	
	Male	Female	Male	Female	Male	Female
Age						
< 30 years	0	1	0	1	0	1
30 - 50 years	2	0	1	0	0	0
≥ 50 years	6	2	5	2	6	2

<u>Board of Directors by %</u>	2021		2022		2023	
	Male	Female	Male	Female	Male	Female
Age						
< 30 years	0%	9%	0%	11%	0%	11%
30 - 50 years	18%	0%	11%	0%	0%	0%
≥ 50 years	55%	18%	56%	22%	67%	22%

<u>Board of Statutory Auditors</u>	2021		2022		2023	
	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 organization and the alignment with current proper practice in Italy. The Supervisory Body 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 to the UN 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 the 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 (2-23a.iii). 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 (2-23a.ii).

In January 2023 the Board of Directors of the Group approved the revised CLN Group Code of Ethics 2023 (the 'Code'). The Code 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 principle aim of the redrafting of the Code was to improve alignment with stakeholder expectations, customer requirements and general CSR requirements in our markets. The new Code was rolled out to the individual companies of the Group during 2023.

The values, policies, and targets 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 <sup>(2-23a.iv)</sup>
- 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 encouraged for suppliers <sup>(2-23e)</sup>. They are approved at the most senior level of the organization by the Group CEO <sup>(2-23d)</sup>.

The Group is committed to complying 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 <sup>(2-25a)</sup>. 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 <sup>(2-27d)</sup>. 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, penalties, 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 <sup>(2-25b)</sup>. Remediation processes for negative impacts are 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 <sup>(2-25c)</sup>. 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 if the normal grievance channels have failed (2-25e).

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). The CSR Report is prepared by the Group CSR Officer and is reviewed and approved by a Board Member of CLN. The CSR Report is presented at a formal Board meeting each year to allow Board Members to comment on material topics.

### **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 Magonetto, 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 in 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 regularly 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 organization’s impacts on 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 and 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. CSR interfaces have been nominated in each of the countries in which the Group has a subsidiary to cascade CSR requirements into the regions, and training is given both locally and globally 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, the Group’s Board of Directors has set medium term targets to be achieved by 31 December 2030. These targets are based on the assessment of the material topics affecting the Group, which are set out in this CSR Report. The Board of Directors will monitor the evolution of these targets on an annual basis compared to the base year, which was 2019. These targets, which were set in late 2022, were designed to better focus the Group on the material topics of the Group’s Stakeholders – GHG emissions, low carbon energy, water use, tree planting, diversity, and CSR training:

2030 Group CSR Targets Target description	2023	Target 2030
Reduction of Scope 1 & 2 GHG emissions (adjusted for clean energy sources) – base 2019 125,499 tCO2e	Reduction of 27%	Reduction of 50%
Increase in clean energy used by the Group - base 2019 1,365,113 GJ	25% from clean sources	50% from clean sources
Plants certified according to ISO14001	90% of facilities certified	100% of facilities certified
Plants certified according to ISO45001	86% of facilities certified	100% of facilities certified
Percentage of women in executive & white-collar jobs - base 2019 28%	29%	35%
Suppliers who have been issued CSR Terms and Conditions Addendum (excluding steel and aluminium suppliers)	100% of suppliers	70% of suppliers
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Reduction of water usage - base 2019 542,120 cubic metres	Achieved	Reduction of 15%
Accumulated trees planned since 2019 – base 2019 1,200 trees	18,098 trees	15,000 trees

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.

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

The Group 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, and therefore has voluntarily joined several external sustainability organizations. The 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 2023, the results of the customer audits or assessments are as follows:

- Ecovadis (for Stellantis and Renault) – Platinum rating with a score of 78/100, which places CLN in the top 1% of companies assessed. The target is to maintain the Platinum rating.
- Supplier Assurance facility level assessments (for BMW, Mercedes, VW, Volvo and Stellantis) – All production facilities requested have satisfactorily completed and or maintained their assessment status against version SAQ 4.0. Most Group companies have updated their assessment status to SAQ 5.0 during 2023.
- Open-es (for Iveco) – Sustainability scoring of 75/100.

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 assessments during 2023 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)**

CLN has followed the guidance given in GRI Standards 2021 to determine its material topics and has followed the four steps suggested in GRI 3 Material Topics accordingly.

The first step in CLN's process to determine material topics was to properly understand the organization's context. The Group's purpose, as set out in its Mission statement, is **to be a leader in the development, industrialization, and assembly of high technological content steel products, offering its customers dedicated solutions and services, while striving to become their reference point for excellence and sharing**



**with them the successful results achieved.** The Group is an international player engaged in the manufacturing of metal components (steel and aluminium), mainly for automotive sector OEMs. The main products supplied to OEM producers of passenger cars and light commercial vehicles are Tier 1 automotive metal components through its MA division and steel wheel rims through its MW division. The biggest customers are major 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 facility. 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 Group operates worldwide with subsidiaries and joint ventures in 13 countries and has significant operations (21 subsidiaries and 19 joint ventures) in Italy, France, Germany, Poland, Romania, Slovakia, Portugal, Russia, South Africa, Turkey, Argentina, and Brazil (2-1a). 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 net sales of approximately Euro1.6 billion for the reporting period (2-6b.i).

The Group has several strong business relationships which support its activities, improve footprint, and allow risk sharing, 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 common 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.

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

The sector in which the Group carries out its activities is characterized by a high level of automation together with a high level of technically competent employees. The activities of the Group are supported by approximately 6,500 full-time employees and 1,000 temporary employees and contractors. Temporary employees are generally hired from large agencies to manage the high levels of variation of demand in the Automotive sector. The level of informal labour used – for example via non-guaranteed contract hours or part time workers – is low.

The manufacturing of steel and aluminium metal components in which the Group is engaged is dependent on the availability of processed metal sheets, mainly of steel and aluminium, and metal stampings. This makes the Group dependent on a small number of large international metal sheet suppliers – about 80% of Group purchases are from these companies. The relationship with these large international metal sheet producers is normally long term and they normally have facilities in the same regions as CLN.

The processes involved in converting these inputs into components for sale to customers require a high level of electrical energy for the main processes involved such as welding, stamping, and profiling. To a lesser extent the production processes rely on gas for ovens and the heating of painting baths, together with water for washing parts.

Based on the organization's activities and business relationships as set out above, CLN has determined that the following sustainability contexts have the most significant impact on for the Group, its business relationships, and its sustainable development:

***Climate change*** – CLN is required to reduce its impact on GHG emissions by its customers, by EU climate reduction regulations and by its declared support for the Paris Agreement on Climate Change. There is a high GHG impact in the steel and aluminium industry on which the Group relies. The Group's production processes use a relatively high level of energy which requires it to switch cost effectively to low GHG energy sources. Furthermore, the move away from the combustion engine means that CLN must ensure its products align with electric vehicles as this will be the main global economic shift in the Automotive sector for the foreseeable future.

***Water stress*** – Several of the Group's facilities are in regions of periodic water stress. CLN's production processes require significant amounts of water for cleaning, cooling, and painting components.

***Legal responsibility*** – The Group's geographical footprint means that there are a broad range of laws and regulations with which it is expected to comply. As well as local legal

regulations regarding environmental compliance, human rights and corporate behaviour, there are several EU regulations which are mandatory for CLN, such as GDPR, the Corporate Sustainability Reporting Directive (CSRD) and emissions regulations.

***Human rights*** – CLN is responsible for a significant number of full time and temporary employees. As well as the local legal requirements applicable to these employees, there are several inter-governmental instruments with which the Group is expected to comply, such as the ILO Declaration on Fundamental Principles and Rights at Work and the United Nations International Bill of Human Rights. Furthermore, the heavy equipment used in CLN’s production processes means that occupational health and safety must be at the forefront of every work activity.

***Environmental compliance*** – CLN’s customers require a high level of protection of the environment, including formal compliance with Environmental Management System standard ISO14001.

***Sustainability of the steel and aluminium supply chain*** – The high levels of use of coke in the production of steel and aluminium is unsustainable if EU and Paris Agreement targets are to be met. The iron and steel sectors are one of the biggest emitters of GHGs. Consequently, the success of current initiatives to move towards green steels, and the availability of such steels at competitive prices, is a major economic challenge for CLN. Furthermore, the careful management of scrap and waste, especially of metals, is critical to reducing the GHG impact arising from CLN’s use of raw materials.

***Training of employees*** – The complex sustainability context of the Group’s activities means that the ongoing training of our employees is a critical factor in ensuring that the whole Group is aware of the challenges faced and how to manage them.

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

The guidance given in GRI Standards 2021 suggests as part of the first step in understanding the organization’s context, an organization should identify who its stakeholders are across its activities and business relationships and engage with them to help identify its impacts.

The Group CSR Officer has determined that based on the activities carried out by the Group and the sustainability context of these activities, the principal Stakeholders whose interests are affected or could be affected by the organization’s activities are as follows (2-29a.i):

- Shareholders
- Employees and other workers
- OEM Customers
- Joint venture partners
- Suppliers of steel and aluminium
- Employees and other workers
- Non-governmental organizations

The CSR Report is an important tool through which the Group can communicate its initiatives regarding environmental issues, sustainability, health & safety ('H&S'), 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 objective of the Group is to seek to understand the concerns of its stakeholders and 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. Care has been taken to determine which Stakeholders are the most severely affected by the potential impacts of the activities of CLN to ensure the Stakeholder engagement is properly focused (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 unlawful (2-25b).
- The ongoing success of the Group depends on solid and long-standing relationships with our OEM 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.

- Regular management meetings are held with CLNs' Joint Venture partners, including meetings with the group CSR Officer, which have confirmed that because these Stakeholders are in a similar business to CLN, their topics and impacts are aligned.
- All new suppliers are being issued with a CSR Addendum to CLN's General Terms and Conditions to ensure the Group's requirements are rolled out step by step and are fully understood by our supply base. In the case of suppliers of steel and aluminium, the CSR team monitors the publicly available information on their websites regularly to check alignment on CSR issues. Periodic meetings are held with individual steel suppliers to discuss sustainability issues and in particular lower carbon steel.
- CLN participates in initiatives sponsored by non-governmental organizations to understand their main aims. The most important of these initiatives is the Groups' support of the Ten Principles of the United Nations Global Compact in the areas of human rights, labour, environment, and anti-corruption. CLNs' annual Communication on Progress allows the Group to identify the goals of the United Nations, particularly Sustainable Development goals, and to disclose CLNs' continuous efforts to integrate the Ten Principles into business strategy, culture, and daily operations.
- 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 guidance given in GRI Standards 2021 suggests that the step two in identifying and assessing an organizations' impacts is to identify its actual and potential impacts on the economy, environment and people across the organization's activities and business relationships.

The impacts have been identified from several sources to ensure that they capture impacts commonly associated with the Automotive component sector, as well as general best practice in the market in which CLN is involved. A summary of the process followed, and the resulting positive and negative impacts identified is shown in Appendix 2 to this CSR report. The direct engagement with the Group's stakeholders gives CLN a high degree of confidence that the concerns of CLN Stakeholders are understood. The main sources for identifying CLN's impacts are as follows:

- Analysis by the Group CSR Officer and the CSR team in consultation with the Board Member responsible for CSR issues.
- Discussions between OEM Customers and CLN's Key Account Managers.
- Data collected from all subsidiaries and analyzed by Central EHS managers.
- Data collected from all subsidiaries and analyzed by Central HR managers.
- Third party sustainability/CSR assessments (such as Ecovadis, Openreach, SupplierAssurance) to consider impacts commonly associated with the Automotive sector.
- Compliance with ISO management systems (principally ISO 14001, ISO 45001).
- United Nations Communication on Progress reporting.
- Information gathered through the Group Whistle-blowing mechanism.
- Discussions at CLN Board of Director meetings.
- Feedback on steel issues from the Group's minority shareholder.

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.

In 2023, the Group prepared a revised Code of Ethics to establish the base conditions of behavior when addressing CSR issues, and to ensure respect of the United Nations Global Compact and the 10 principles. The approach taken has been to fully review the obligations of CLN to set the topic boundaries for the Group. These boundaries align with customer requirements and general trends in the market as well as The United Nations Global Compact and the Paris Agreement.

Within these boundaries, the CSR Officer 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. Periodic meetings are held throughout the year with individual steelmakers to discuss key topics for steel purchase, including 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.

The guidance given in GRI Standards 2021 suggests as part of the third step in understanding the organization's context, an organization should carry out an assessment of the significance of the impacts of CLN and prioritize them accordingly. The process for identifying actual and potential impacts, together with the negative and positive impacts identified is set out in Appendix 2. The starting point for identifying the impacts has been to draw on the best sources of information for each relevant Stakeholder and the purpose or interest of each Stakeholder in the relationship with the Group, using the meaningful engagement channels available. From this process the positive and negative impacts of CLN have been identified.

The guidance given in GRI Standards 2021 suggests that the fourth step to determine a Company's material topics is to prioritize its impacts based on their significance. The Group CSR Officer has used the analysis carried out in steps 1 to 3 above to prioritize the most significant impacts which could result from not managing significant topics in the right manner. A threshold has been applied such that only material topics with a strong significance on these impacts have been chosen, and these material topics have then been grouped to help CLN report in a cohesive way about multiple impacts related to the same topic.

The ranking of these impacts and the corresponding material topics grouping is as follows (3-2):

- 1.- **Long term economic survival:** Energy use and efficiency; GHG emissions; Steel and aluminium supply chain.
- 2.- **Global warming:** Energy use and efficiency; GHG emissions; Steel and aluminium supply chain; Scrap and waste.
- 3.- **Customer retention:** Ethical behaviour; Occupational health and safety; Environmental compliance; Energy use and efficiency; Water use; GHG emissions.
- 4.- **Economic costs/efficiency:** Management of employees; Occupational health and safety; Training and education; Energy use and efficiency; Water use; Scrap and waste.
- 5.- **Legal sanctions:** Ethical behaviour; Environmental compliance; Management of employees; Occupational health and safety.
- 6.- **Employee retention:** Management of employees; Occupational health and safety; training and education.
- 7.- **Commitment to NGOs:** Ethical behaviour; Management of employees.
- 8.- **Reputational damage:** Ethical behaviour; Management of employees; Water use.

The analysis of material topics has established both negative and positive impacts. The positive and negative impacts have been explained separately under each section of this CSR report.

As a final step in selecting material topics, the CSR Officer has used the results of the independent assessments carried out by organizations to which the Group reports each year, these being Ecovadis, Supplier Assurance and Open-es. The results of these assessments have confirmed that the material topics are aligned with those normally determined for the Automotive sector.

The list of material topics has been approved by the Member of the Board responsible for CSR. The CSR Report is approved by the Board Member responsible for CSR activities on behalf of the Board of Directors of the Group.

As with this year, the previous year's CSR Report was prepared in accordance with GRI Universal Standards 2021 and discusses the material topics accordingly.

### **Ethical behaviour**

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 the risk of corruption varies from country to country and the actual potential negative impacts of corruption are significant in certain geographical areas of the Group. 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 Perception Index published by Transparency International (GRI205-1).

The potential negative impacts of poor ethical behaviour on CLN can be substantial if not properly managed (3-3a)

The Group recognizes that the typical activities carried out by CLN require numerous systematic financial processes which could be prone to corruption or other non-ethical behavior if not correctly managed. This negative potential impacts of these risks 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. Legal sanctions for such corruption are severe in all the locations in which CLN is active.
- 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 for facilitation payments, bribes, or kickbacks. Ethical management of these interactions is critical to both customer and supplier retention in the automotive sector.
- 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.

These negative impacts represent a long-term potential risk to the reputation of the Group and in the short term can have severe financial impacts in terms of fines and economic losses.

In order to identify the geographical location in which the Group is most likely to be negatively impacted by ethical risks, the Group CSR Officer has set the criteria that those fully consolidated subsidiaries in countries which are perceived as more corrupt by Transparency International have to engage in a more robust approach to ethics issues - the CSR Officer has set the baseline as those operations having a score of less than 50 in the Rankings. In June 2022 the analysis showed that the Group had subsidiaries in the following countries with a score below 50 on the Transparency International Index: Romania (45), South Africa (44), Brazil (38) and Russia (29).

There are positive long-term benefits to the promotion of good ethical behaviour such as the positive impression such behaviour has on stakeholders such as customers and suppliers. Promotion of good ethical behaviour also supports the Groups commitment to the United Nations.

CLN and its employees are directly involved with the negative impacts of poor ethical behaviour through their activities and business relationships, which involve numerous business processes upstream and downstream in the automotive sector – in particular involving numerous interfaces with customers and suppliers (3-3b). CLN therefore has a responsibility to put in place policies and processes to minimize the possibility of negative impacts of poor ethics and to take immediate action to manage negative impacts such as corrupt behaviour or payments of bribes. The most important approach must always of course be to prevent or mitigate poor ethical behaviour in the first instance because as well as the direct economic impacts, reputational damage can be a long term and economically large consequence.

The Group's Corporate CSR Officer is required to report to the Group CEO and the Board Member responsible for CSR topics regarding any substantial policy breaches, whistleblower incidents, reports of corruption, risk assessments, political contributions, and legal actions on ethics related topics, and the corresponding negative impacts. No such issues arose during 2023 requiring such a report.

As the negative impact of poor ethics has been determined to be higher in certain geographic locations of the Group, CLN has decided to implement ISO37001 in the locations of highest risk. Based on the geographical risk identified, Brazil was nominated as the pilot for the implementation of ISO37001, an internationally recognized standard for anti-bribery management systems, and achieved certification which is valid until May 2025. South Africa was the second plant to undertake ISO37001 obtaining certification in 2023.

Russia has been selected as the next facility to obtain ISO37001 certification, with a target of completing the audit in 2024 (3-3, 2-25).

The Group's Business Ethics Policy and Code of Conduct provides guidance on how to address ethical 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 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 jurisdictions, 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 the regional CSR officers and all 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 the 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 to the CEO of CLN Group on a regular basis.

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 any 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 <sup>(3-3)</sup> using the following metrics to double-check any major concerns about the Group's business conduct have been addressed <sup>(2-26a.i)</sup>.

For the year ended 31 December 2023 we can report as follows regarding compliance with laws and regulations for the Group <sup>(2-27)</sup>:

<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. 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 have been communicated to most 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 nine board members (11%), this being Beatrice Perris Magonetto, has received training on ethics issues. Beatrice Perris Magonetto 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 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 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 have been made publicly available on the Group's corporate website to ensure all business partners and other interested organizations can check the Group's ethical requirements.
- An audit was carried out by the CSR Officer during 2022 to check that the training module 'Business Ethics and Code of Conduct' been translated into local language and training carried out in all plants in the Group. The level of training was at approximately 80% for white collar employees and executives.

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 to 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, if any, is reported to the Group CSR Officer each year to have a double verification.

The group has continued to carry out its Internal Audit efforts during 2023 and aims to complete at least two Internal Audits per year. During 2023, the following audits were carried out with the assistance of an external expert, with a heavy emphasis on checking that policy requirements are respected:

- Payment Authorization Process
- Management of Purchase anomalies

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 continued during 2023 with the support of a third-party expert. 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. During 2022 the GDPR Officer launched an ongoing process to require timely closure of significant risks identified by central IT department following their assessments, and to verify compliance with GDPR in general. The results of this review indicate that each of the Group's subsidiaries in Europe is aware of the requirements of GDPR and has plans in place to improve compliance.

The Group did not register significant security breaches during 2023 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 customer 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 Group, such as actions that:

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

During 2023 the Whistleblowing Committee dealt with three cases of Whistleblowing. 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. During the reporting period no critical concerns were required to be communicated to the group CEO (2-16).



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

The 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 equality and social responsibility. The Group is therefore committed to supporting the five core human rights treaties which make up the International Bill of Human Rights. (3-3a).

The management culture is important because poor management of employees and human rights can have severe negative impacts on CLN and its supply chain, as follows:

- Low participation of women in the workforce means CLN does not take advantage of the skills and abilities of a large part of the available workforce, which has an actual negative systematic impact on business performance in the long term. Women remain less likely to participate in the labour market than men around the world, and CLN is supportive of the United Nations aims of bringing this talent into the workforce.
- Respecting the rights of employees to have secure contracts and the right to collective bargaining could potentially have the negative systematic impact of restricting the population of the workforce, which is willing to work for CLN, thereby decreasing the efficiency and quality of the work performed in the medium term and increasing the difficulties in retention and recruitment in the medium and long term. There is also the short-term risk of strikes and business disruption if workers' employment rights are not properly respected. Legal sanctions also apply.
- Respecting equality in terms of race avoids the potential negative impact of systematically access to and retention of a large part of the workforce and ensures as close as possible to 100% of the population in each region in which CLN operates is available to meet the Groups needs in the long term. This is particularly the case in regions where racial equality is not yet entrenched, such as in South Africa and Brazil. In many countries legal sanctions are applied if equality is not respected.
- There is considerable systematic and short-term potential negative reputational risk if CLN or its suppliers systematically use children as a cheap form of labour.

The most important stakeholders that are negatively impacted by these factors are of course our employees, since the culture in which they work forms a large part of their life experience. This is the case irrespective of Geographic location. That said, the Groups employees are its most important economic resource and the Group's shareholders would be considerably impacted in terms of economic cost if these negative impacts are not properly managed, and consequently employee retention worsens. Moreover, legal sanctions are often placed on companies who do not manage employees fairly, often with short term economic penalties and reputational damage.

Most of the negative impacts highlighted above are the basis for important pillars of the work of the NGOs that CLN supports and are widely recognized as mandatory in the automotive sector in which CLN operates. There can be considerable reputational damage in the long term for companies who consistently ignore these potential impacts.

CLN considers that equality and the respect of human rights will in the long term have a positive economic impact on CLN because of the increase in skills available to carry out its operations. Having access to a larger proportion of the potential workforce, for example women, means a higher potential economic performance and service to customers in all our locations.

The Group is directly involved and responsible for the negative impacts outlined above because it is in full control of both its recruitment activities and most aspects of the day-to-day management of its employees (3-3b). This means that the responsibility to provide or cooperate in remediation to manage negative impacts rests entirely with the management of the group. CLN is also involved in such negative impacts in the supply chain, particularly suppliers of raw materials, as it can impose terms and conditions on suppliers which reduce the risks of negative impacts, for example by prohibiting the use of child labour in their operations. Through good policies and processes, CLN is therefore able to prevent or mitigate most of the potential negative impacts outlined above.

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.

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 in the Group. 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 the 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 companies are 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 the Group's Labour and Human Rights policy, forced or compulsory labour and child labour is not tolerated in any CLN 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 under 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: 6,549 individuals in total as of 31 December 2023. Out of these, 21% work in Italy – which hosts the Group headquarters and most of the Corporate technical and commercial offices supporting the production facilities – 33% work in Poland, 13% 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 for the end of the reporting period. During the reporting period there has been a decrease in the number of employees in the Group due mainly to the restructuring of the operations due to falling volumes (2-7c).

An annual Human Resources CSR Report has also been 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 for reporting to the Group CEO where appropriate (2-23a.iv).

At the end of 2023, employees hired on permanent (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>	2021			2022			2023		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Permanent contract	6,123	892	7,015	5,529	869	6,398	5,262	873	6,135
Temporary contract	318	92	410	224	96	320	319	95	414

<u>Employees by employment contract type and region</u>	2021			2022			2023		
	Perm.	Temp.	Total	Perm.	Temp.	Total	Perm.	Temp.	Total
Italy	1,511	2	1,513	1,465	1	1,466	1,405	3	1,408
France	905	4	909	845	6	851	783	2	785
Germany	359	51	410	379	30	409	380	22	402
Portugal	52	51	103	66	30	96	61	52	113
Slovakia	36	4	40	40	2	42	40	4	44
Poland	1,984	198	2,182	1,947	182	2,129	1,905	271	2,176
Romania	272	2	274	249	12	261	239	7	246
Russia	136	39	175	95	1	96	94	41	135
South Africa	1,312	59	1,371	836	56	892	834	12	846
Brazil	448	0	448	476	0	476	394	0	394

The overall number of temporary contracts during 2023 has increased by 94. The main reason for this is due to the increase in variability of customer demand during the year, which has meant weekend work, and an increase in the requirement for temporary labour to manage the peaks and troughs. In Russia the increase of temporary labour is due to a partial recovery of volumes which local management has decided to manage with temporary labour due to the considerable uncertainty in the market due to the conflict in Ukraine. South Africa has been proceeding with a headcount reduction due to decrease in demand, and this reduction has focused on temporary labour (2-7e).

At the end of 2023, employees hired part-time represented only 1% of the total number of employees, a reduction compared to prior year:

<u>Hired personnel headcount</u>	2021			2022			2023		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Employment type									
Full-time	6,394	908	7,302	5,710	893	6,603	5,559	931	6,490
Part-time	47	76	123	43	72	115	22	37	59

Non-guaranteed hours employees do not exist in the Group, so no disclosure is reported for this type of employee.

A total of 1,228 workers who were not employees of the Group were undertaking activities for CLN on 31 December 2023. Most of these workers are employed by temporary labour agencies and subcontracted to the Group (2-8):

<u>Workers who are not employees</u>	2021 Data not collected			2022			2023		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Employment type									
Temporary agency labour	-	-	-	587	143	730	699	116	815
Contractors	-	-	-	210	72	282	243	91	334
Consultants	-	-	-	39	12	51	44	35	79
Total				836	227	1,063	986	242	1,228

There has been an increase in temporary workers during 2023 during a period of high variability in demand. This was particularly noticeable in Italy where additional temporary labour was also required to support increased activity for the launch of some new projects in the Chivasso plant. The increase in the number of contractors is largely explained by the recruitment of 60 trainees under the South African government sponsored Yes Learners program (2-8e).

During 2023, new employee hires and employee turnover were as follows (GRI401-1).

<u>New employee hires and turnover by age group</u>	2023 hires				2023 t/over			
	Male	Fem	Total	Rate	Male	Fem	Total	Rate
<18 years	0	0	0	0%	0	0	0	0%
18-29 years	207	62	269	4%	185	55	240	4%
30-39 years	196	57	253	4%	205	36	241	4%
40-49 years	140	38	178	3%	175	39	214	3%
50 years and above	112	16	128	2%	262	40	302	5%
<b>Total</b>	<b>655</b>	<b>173</b>	<b>828</b>	<b>13%</b>	<b>827</b>	<b>170</b>	<b>997</b>	<b>15%</b>
<i>Rate</i>	<i>10%</i>	<i>3%</i>	<i>13%</i>		<i>13%</i>	<i>3%</i>	<i>15%</i>	

  

<u>New employee hires and turnover by region</u>	2023 hires				2023 t/over			
	Male	Fem	Total	Rate	Male	Fem	Total	Rate
Europe	447	93	540	8%	525	95	620	9%
South Africa	116	61	177	3%	163	60	223	3%
Russia	70	10	80	1%	36	5	41	1%
Brazil	22	9	31	0%	103	10	113	2%
<b>Total</b>	<b>655</b>	<b>173</b>	<b>828</b>	<b>13%</b>	<b>827</b>	<b>170</b>	<b>997</b>	<b>15%</b>
<i>Rate</i>	<i>10%</i>	<i>3%</i>	<i>13%</i>		<i>13%</i>	<i>3%</i>	<i>15%</i>	

The Group has continued to see a decline in the number of employees during 2023. The decline is market related and is concentrated in Brazil where there has been a run out of old models which have not been replaced by new business, and in South Africa where there was a high level of dismissals due to the run out of a contract with Ford and the transfer of some business to a customer.

As of December 31<sup>st</sup>, 2023, about 86% of all the Group's employees were employed through collective bargaining agreements, which is a similar level to 2022 (2-30).

<u>Percentage of employees employed through collective bargaining agreements</u>	2021			2022			2023		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Total employees	6441	984	7425	5753	965	6718	5581	968	6549
Employed through collective bargaining agreements	5907	866	6773	4998	810	5808	4818	800	5618
<b>%</b>	<b>92%</b>	<b>88%</b>	<b>91%</b>	<b>87%</b>	<b>84%</b>	<b>86%</b>	<b>86%</b>	<b>83%</b>	<b>86%</b>

A further 358 employees (5%) were not covered by collective bargaining agreements, but their conditions were largely based on a collective bargaining agreement. These employees were based in South Africa.

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 other workers’ organizations, 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.

CLN Group Corporate HR continues to monitor the implementation of smart working and gives feedback on the developments and evolution of flexible working within the Group during the annual human resources Corporate Social Responsibility meeting.

The most concerning conclusion of the analysis of headcount over the past years is the persistently low level of women 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 not improving and consequently opportunities for women to participate in advancement of their careers are not high enough in the Group. During 2022 a new target was therefore put in place to increase the percentage of women in white collar and executive roles by 7% by 31 December 2030 compared to the base year of 2019. This means that we aim to have one third of white collar and executive positions covered by women by 2030. At the end of 2023 the percentage was 29% with no improvement compared to 2022. There is also a separate HR target to increase the percentage of women in blue collar jobs by 1% per year from 2023 to 2030. This target was achieved during 2023, meaning the overall percentage of participation of women in the workforce in the Group increased from 14% to 15% during 2023.

Our central HR department has been tasked with leading these initiatives with regular participation of the HR managers of the individual facilities (GRI405-1).

Headcount by age group	2021			2022			2023		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
<18 years	-	-	-	-	-	-	0	0	0
18-29 years	574	84	658	491	100	591	456	104	560
30-39 years	1,563	250	1,813	1,218	236	1454	1,157	236	1393
40-49 years	2,134	324	2,458	1,885	302	2187	1,814	301	2115
50 years and above	2,170	326	2,496	2,159	327	2486	2,154	327	2481
<b>Total</b>	<b>6,441</b>	<b>984</b>	<b>7,425</b>	<b>5,753</b>	<b>965</b>	<b>6,718</b>	<b>5,581</b>	<b>968</b>	<b>6,549</b>

Headcount by age group %	2021			2022			2023		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
<18 years	-	-	-	-	-	-	-	-	-
18-29 years	8%	1%	9%	7%	1%	9%	7%	2%	9%
30-39 years	21%	3%	24%	18%	4%	22%	17%	4%	21%
40-49 years	29%	4%	33%	28%	4%	33%	28%	4%	32%
50 years and above	29%	5%	34%	32%	5%	37%	33%	5%	38%
<b>Total</b>	<b>86%</b>	<b>14%</b>	<b>100%</b>	<b>86%</b>	<b>14%</b>	<b>100%</b>	<b>85%</b>	<b>15%</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 is prepared annually to report to the Board Member responsible for CSR matters and the Corporate CSR Officer on issues arising from the GRI data collected and specific concerns and actions arising during the year. The main points arising in the Labour and Human Rights CSR report during 2023 were as follows (2-23a.iv):

- There were no employees under the age of 18 in the Group during 2023, continuing the Group policy of employing such workers only in very special circumstances.
- A comprehensive review of the CSR approach of the major suppliers of the Group did not give rise to any concerns of suppliers at risk for incidents of child labour (GRI408-1).
- Approximately 15% of the Group’s employees were women as of 31 December 2023. CLN recognizes that it has not made sufficient progress in increasing the percentage of women employees, and consequently does not offer enough opportunity for advancement of women in the workforce. The situation is therefore being closely monitored by senior HR management.
- CLN 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. MA South Africa continues to maintain its BBBEE rating and received confirmation of compliance with the Employment Equity Act in December 2023.
- The percentage of employees receiving performance and career development reviews continues to improve year on year.

During 2023 no major incidents of discrimination were reported to the senior management of the company for race, colour, sex, religion, or political views. During 2023 no major incidents of discrimination were reported through the Whistleblowing portal (GRI406-1).

## Occupational health and safety ('H&S') (3-3)

The topic of occupational H&S has been the main priority of the Shareholders 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 precondition for all operating decisions and activities worldwide.

The main potential negative impact of poor occupational health and safety is that it would systematically lead to poor employee retention in the short term. CLN is involved in such negative impacts directly through its activities, particularly in the production facilities – and employees will not accept working in an unsafe environment, and nor should they as this is a basic human right.

Poor occupational health and safety also has a clear measurable short term economic cost directly related to the days lost to injury and customer retention due to poor service.

Potential legal sanctions are risked by companies that have poor H&S results, with short term economic penalties and reputational damage likely to arise shortly after any individual serious injury. Most of the countries in which CLN operates impose such sanctions (3-3a).

Our employees and management are the stakeholders directly involved and responsible to prevent or mitigate the potential negative impact of not having a high level of H&S in our operations. Our employees are aware that their input to ensure they and their colleagues are not at risk is critical to avoiding accidents, and that they must report to management any risks regarding safety (3-3b). This means that the responsibility to provide or cooperate in remediation to manage negative impacts rests both with the employees and management of the Group. Through good policies and processes, together with active participation and vigilance of the whole workforce, CLN can prevent or mitigate most of the potential negative impacts outlined above.

Customers also place a high level of importance on H&S, with some preferring suppliers who have external certification of their H&S system.

CLN believes that a high level of H&S requires formal certification covering all employees and subcontractors 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 2030. ISO 45001 is the most widely recognized H&S risk management standard in the automotive sector. As of 31 December 2023, 86% of the facilities had achieved certification. The effectiveness of the management system is assured 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 facility. The approach to H&S is set out in the Group's H&S Policy, applicable to all employees of the Group. Performance is monitored monthly at Group level and regularly at CLN Group Board meetings, 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 facility EHS officer or Plant Manager. Non-conformities include unsafe acts, unsafe conditions, near misses, first aid, minor injuries, serious injuries, and fatalities. Individual work-related incidents are managed using a specific root cause analysis such as the S-EWO form which includes a 5Why+1 analysis, correction plan, and analysis of similar risks in the facility. Injuries with time lost are reported to and monitored by the Group EHS department. Each facility 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. There is a Group Whistleblowing system in place to report in instances where a serious safety issue has not been dealt with appropriately by local management.

As an additional measure of control, the Board of Directors of CLN takes the lead by setting annual KPI targets and medium term (2030) targets 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:

Safety metrics	2021	2022	2023
Frequency Rate/Injury rate (n° accidents/n° hours worked)	3.14	3.65	3.59
Gravity Rate/Lost day rate (n° days of absence due to injury/n° hours worked)	0.15	0.20	0.14

There were no fatalities during 2023. There has been an improvement of both the Frequency Rate and Gravity rate compared to the prior year. The number of injuries during 2023 was 50, one less than in 2022. The number of days lost decreased to 1,910 in 2023 from 2,807 in 2022. 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.

The salient points for 2023 are as follows:

- There was a positive trend in the MW Division during 2023 in both injuries and days lost, with a corresponding improvement in both gravity rate and frequency rate.
- MAP Kielce was a poor performer in the Group with 9 injuries in 2023 following a poor 2022, mainly due to established procedures not being followed correctly. A

process has been put in place to review the situation every few weeks with all the management of the facility to ensure the correct application of procedures.

- MA Chivasso also registered 9 injuries in 2023 following a poor 2022. Specific follow-up is carried out every few weeks in the facility.
- More than 60% of injuries during 2023 were due to behavioral factors, indicating that the awareness of our employees regarding safety culture is not at the level required in a small number of plants. A routine of regular safety meetings with Central EHS has therefore been put in place during 2024 for the plants of Kielce, Chivasso, Achim, Eurostamp and Atessa.

Safety audits and plant visits will be continued in 2024 with a clear focus on the most critical regions and facilities.

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

The development and growth of the professional and management skills of all employees within the Group is fundamental to guaranteeing 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.

Training employees in a systematic way has a positive impact on several important Stakeholders – customers and shareholders in particular – because it improves both the long-term financial results and economic efficiency of the Group and the short-term quality of service to customers, which in the automotive sector have very high expectations. Training on CSR topics has the further positive impact of helping employees manage other material topics which are important to CLN.

The negative impact of not carrying out systematic training could potentially be the long-term ability to retain employees, who have expectations of developing and improving their skills while they are employed by CLN (3-3a).

It is the responsibility of human resources managers in all CLN operations to ensure training is carried out systematically and covers all the main areas of interest to CLN, including CSR topics. Corporate human resources provide support and remediation to the operation to ensure training is properly carried out. This ensures that they can mitigate the potential negative impact of a failure to carry out adequate training (3-3b).

The Group has carried out over 141,000 hours of training in 2023, a substantial improvement compared to 2022. (GRI404-1):

<u>Average hours of training by category (n° of hours)</u>	2021			2022			2023		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Executives	7	10	7	12	12	12	18	23	18
Employees (White collar)	21	13	18	22	23	23	26	25	25
Manual workers (Blue collar)	19	15	19	18	18	18	20	27	21
<b>Total</b>	<b>19</b>	<b>14</b>	<b>18</b>	<b>19</b>	<b>20</b>	<b>19</b>	<b>21</b>	<b>25</b>	<b>22</b>

  

<u>Hours of training offered (n° of hours)</u>	2021			2022			2023		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Executives	616	180	796	1,106	241	1,347	1,628	343	1,971
Employees (White collar)	19,152	5,296	24,447	19,311	9,166	28,477	21,999	9,116	31,115
Manual workers (Blue collar)	103,176	8,529	111,705	86,830	9,969	96,799	93,527	14,784	108,311
<b>Total</b>	<b>122,945</b>	<b>14,005</b>	<b>136,949</b>	<b>107,247</b>	<b>19,376</b>	<b>126,623</b>	<b>117,154</b>	<b>24,243</b>	<b>141,397</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 Group's expectations. Due to the Group being involved in manufacturing, special attention is attached to monitoring the training in technical-professional skills, health safety and environment, management skills, and CSR/Sustainability issues. 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). The types of training undertaken were as follows: (GRI404-2).

Type of training offered (n° of hours)	2021			2022			2023		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Technical-professional skills	33,294	3,785	37,079	26,548	4,669	31,217	36,624	5,820	42,444
Health, Safety and Environment	55,396	6,643	62,039	41,543	4,354	45,897	48,006	6,981	54,987
Management skills	18,935	137	19,072	18,133	4,738	22,872	8,742	4,164	12,906
Ethics	5,375	1,287	6,662	4,105	1,141	5,246	7,252	1,974	9,226
Languages	417	146	563	1,398	258	1,656	2,329	732	3,061
Cybersecurity	1,278	330	1,609	218	57	274	1,118	318	1,436
Other types	8,249	1,676	9,925	15,302	4,159	19,461	13,083	4,254	17,337
<b>Total</b>	<b>122,945</b>	<b>14,005</b>	<b>136,949</b>	<b>107,247</b>	<b>19,376</b>	<b>126,623</b>	<b>117,154</b>	<b>24,243</b>	<b>141,397</b>

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 CSR topics, and local management is responsible for rolling out the training in each region or country.

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. The aim is to create a strong safety culture focused on risk awareness and on participation in safety-related activities. All facility 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 during 2023 following concerns raised in 2022. (GRI403-5).

As training on CSR issues – health and safety, environment, ethics, cybersecurity/GDPR - has not been high enough during the past few years, the Group’s Board has set a target of 10 hours training on CSR issues per year per white collar employee by 2030 to galvanize improvement in this respect. This target was achieved during 2023.

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 2023 the percentage of employees receiving such a review continued to increase due to this initiative as follows (GRI404-3):

<u>Percentage of total employees receiving performance review</u>	2021			2022			2023		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Executives	54%	42%	52%	59%	38%	55%	58%	47%	56%
White collars	26%	24%	26%	33%	32%	33%	40%	36%	39%
Blue Collars- Indirect	11%	9%	11%	14%	15%	14%	16%	16%	16%
Blue Collars - Direct	13%	7%	12%	18%	14%	17%	21%	13%	20%

### Environmental compliance (3-3)

The Group’s operations involve a wide range of metal manufacturing processes performed in the 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. CLN customers have high expectations towards environmental compliance. Poor management of environmental issues can have significant implications for CLN (3-3a).

The principal negative impacts may be summarized as follows.

CLN’s customers usually require Environmental Management System ISO14001 certification for their suppliers. Certification under ISO14001 in turn requires businesses to ensure they are taking proactive measures to minimize their environmental footprint, comply with relevant legal requirements, and achieve their environmental objectives. ISO14001 also requires involving stakeholders in environmental commitments. Non-compliance with high environmental standards would mean that CLN would not be able to quote business in the automotive sector, with the consequent systematic loss of business over the medium term, and eventual exclusion from the automotive sector in all the regions in which CLN operates.

Potential legal sanctions are risked by companies that have poor environmental performance, with short term economic penalties and reputational damage likely to arise shortly after any individual incidents such as chemical spills. Most of the countries in which CLN operates impose such sanctions, and fines or non-monetary sanctions for non-compliance with environmental laws and/or regulations tend to be significant.

Responsible environmental management has a potential positive impact in an age of heightened environmental consciousness and increasing global challenges such as climate change, biodiversity loss, and resource depletion. Organizations like CLN have a pivotal role to play. By committing to environmental responsibility, organizations signal a commitment not only to regulatory compliance but also to ongoing environmental improvement. This proactive approach to environmental management can result in tangible benefits over the medium term, such as reduced waste, energy conservation, and cost savings. Furthermore, over the long term, it enhances an organization's reputation, fosters stakeholder trust, and supports CLN’s commitments to NGOs like the United Nations.

Environmental compliance involves several stakeholders, in particular customers through ongoing business relationships, NGOs, and shareholders because of reputational and economic damage. CLN's EHS management are responsible for preventing or mitigating the potential negative impact of not having a high level of environmental standards in our manufacturing operations. Through good policies and processes, together with active participation and vigilance of the whole workforce, CLN can prevent or mitigate most of the potential negative impacts outlined above (3-3b).

Guidance on environmental compliance is set out in the Groups' Environmental Policy. The policy gives guidance on 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 for guiding the Group's ongoing environmental efforts, environmental objectives, and targets.

The Environmental Policy is approved by the CEO of the Group.

The Group has a Corporate Environmental department which reports to the Group EHS 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 is committed to carrying out its activities in compliance with current legislation and standards in each region and commits to promoting 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 certification to verify the efficiency of their environmental management system. To this end, the Group aims to have an increasing number of its facilities certified for ISO 14001:2015 each year. The target set by the Group Board of Directors is to have 100% of the facilities certified by

December 2030. As of 31 December 2023, 90% of the Group's facilities have an ISO 14001:2015 certification, which is aligned with Group targets.

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 report KPI for the main indicators related to energy consumption, GHGs, water use and waste generation. 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 facility 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 or non-monetary sanctions for non-compliance with environmental laws and/or regulations were received during the year ended 31 December 2023 (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 municipal electricity grid. The facilities also use significant amounts of gas, 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 utilizing a higher proportion of its requirements from energy purchased from 'clean' renewable or low GHG sources.



Reducing the amount of energy used has several impacts on the environment and costs (3-3a).

The use of energy derived from burning fossil fuels is one of the most significant systematic contributors to the increase of GHGs, therefore contributing to Global Warming. Because CLN is a big consumer of energy to run its industrial processes, particularly using electrical energy, our operations are having an actual and ongoing long term negative impact on the atmosphere and contributing to Global Warming. CLN's operations worldwide face this challenge, particularly in regions like South Africa where the burning of fossil fuels for energy is still largely the only source. Furthermore, the change entails significant economic challenges as in many cases renewable sources of energy are more expensive.

CLN's customers require clear targets from their suppliers regarding the reduction of GHGs. Since the biggest direct reduction in GHG emissions that can be directly managed in our operations is through the migration from energy derived from fossil fuels towards energy derived from sources which do not generate significant levels of GHGs – nuclear, solar and wind for example – if CLN does not migrate to such cleaner sources, it will face a problem of customer retention over the long term. The importance placed by customers on this issue means that for CLN it is a potential matter of long-term economic survival, making it a key focus for the shareholders of CLN.

Migrating energy sources away from those derived from burning fossil fuels does have the potential positive impact of reducing the variability of energy prices to CLN, therefore promoting greater economic stability. Geopolitical events over the last few years have led to considerable volatility of energy prices, demonstrating the risk of dependence on fossil fuels from unstable countries like Russia. Having a more varied source of energy, including nuclear and renewable energy, should reduce the instability arising from fluctuating availability of and prices for fossil fuels in the long term. Furthermore, it may be that in the long term, as more sources of nuclear and renewable energy become available, the costs of energy come down, which would have financial benefits for the Group. The investments required to move towards cleaner energy are significant – for example the cost of installing solar panels or converting gas ovens to electric ovens – so CLN is having to consider several investments over the medium term to support the migration, particularly in South Africa where clean sources are rarely available (3-3b).

The corporate EHS department is responsible for managing energy sources and 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.

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.

During 2023, the Group's energy consumption was below 2022 levels due in the main to decreased demand for the Groups components. Meanwhile, the Group has suffered large increases in energy cost during 2021-22 and in 2023 there has been considerable volatility. Energy prices are yet to return to pre-Covid levels. This meant that during 2023, the Group struggled to find financially viable electricity from clean sources in some regions due to the volatility of pricing in the energy market caused by the Ukraine conflict. This has led to a significant decrease in the energy purchased non GHG sources in 2023 (GRI302-1, GRI302-3):

<u>Energy consumption (GJ)</u>	2021	2022	2023
Electrical energy consumption	734,377	723,322	723,471
<i>Of which from non GHG sources</i>	<i>531,799 (72%)</i>	<i>473,036 (65%)</i>	<i>280,729 (39%)</i>
Fuel consumption for heating from non-renewable sources	466,056	418.369	387,162
<b>Total energy consumption</b>	<b>1,200,433</b>	<b>1,141,691</b>	<b>1,110,633</b>

<u>Energy Intensity within the organization</u>	2021	2022	2023
Electricity Intensity Ratio within the organization (Total energy consumption x 1000/Standard hours) <i>Note: an error was found in the calculation of one of the French plants and the historic data has been adjusted accordingly</i>	141	142	138
	<b>2021</b>	<b>2021</b>	<b>2023</b>
Fuel Intensity Ratio within the organization (Total energy consumption x 1000/Standard hours) <i>Note: an error was found in the calculation of one of the French plants and the historic data has been adjusted accordingly</i>	89	82	74

During 2023 a small amount of energy amounting to 748GJ (2022: 667GJ) 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 Group's carbon footprint is to purchase the energy required for its operations from clean - low or zero carbon – energy sources such as hydroelectric, wind, solar or nuclear energy, where these are readily available, and it is economically feasible. During 2023 therefore, the

Board of Directors has set a Group target to have 50% of energy purchased from clean sources by 31 December 2030. 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 clean 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 2023, the Group purchased 25% of its total energy (electricity + gas) from clean sources, lower than planned, but we are confident that new clean energy contracts can be found in the next few years as the energy market stabilizes from the uncertainty seen in the recent past.

Solar power studies or bio-energy studies are taking place in South Africa, Brazil, Poland, Portugal, Romania, and Turkey to determine feasibility.

### **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 the reputation of users like CLN and retention of customers depends on taking responsibility for their impacts on this shared resource and work diligently to manage its use. CLN's metal manufacturing equipment, especially painting lines, require the use of water for cooling and cleaning parts, as well as water used for civil purposes. An uncontrolled use of water causes actual 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 (3-3a).

Due to the greater fluctuation in rainfall arising from Global Warming, the time frame of these negative impacts is getting shorter – we are seeing years of high rainfall and drought much more regularly in all our locations. Extreme events are becoming more sporadic, meaning that individual incidents – such as drought – are difficult to forecast. The plants affected by such sporadic incidents could be negatively affected in terms of their ability to run production lines such a paint lines, and due to the negative impact this has on the day to day lives of the local community who could lack water for basic needs. Tension with the local population could arise as water resources become scarce. This means the economic costs of scarcity could potentially affect the shareholders' ability to generate profits in the regions affected and could cause the risk of not meeting customer demand. The region of CLN Group most affected by the risk of water shortage is South Africa where we have seen regular periods of drought over the last few years.

Because CLN operations are involved directly with the use of water through their production processes, it is important that the Group accepts its responsibility to work with local municipal authorities to properly manage water use and to reduce total consumption. CLN plants can do this by using water efficiently – for example ensuring leaks are quickly

dealt with – and by reducing the water drawn from the municipal systems by using rainwater collection or efficiency measures such as recycling water for industrial use (3-3b).

Local EHS Officers are responsible for managing water reduction in their plants and are required to ensure that they understand and document where water is drawn from for use on the site, and where used water is discharged to, to properly define the risks and opportunities for water management. Where the negative risk is judged to be higher, such as in South Africa, the Group requires 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. Fortunately, the fact that CLN Group plants use municipal sources almost exclusively means that there is a direct interface available to mitigate negative impacts.

A failure to reduce or mitigate water use by regional industry has on a few occasions led to rationing of water to the facilities as municipalities prioritize water for sanitation purposes.

All the water used by the Group for manufacturing purposes like painting and washing parts is drawn from properly regulated municipal sources, except for a small amount of rainwater harvested from the roofs of buildings.

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.

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 to determine the 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 corresponding impact on the local community.

CLN Group sites are required to integrate water considerations, challenges, and adverse impacts into 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 reduce the adverse impacts on the local environment. CLN Group sites are encouraged to present the Group's

Corporate EHS department with potential projects for 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 June 2023, for the sites operating in Rosslyn and Gqeberha, in South Africa, Melfi (Italy), JMW Turkey and MW Romania. In South Africa, Turkey and Romania, the municipality has declared that the risk for our plants is low, and they see no risk to supply despite it being designated high risk by Aqueduct. CLN Group has not suffered water shortages during 2023 – but continued vigilance is required.

All CLN sites are expected to report their water consumption and the amount of water recycled and reused to the Group’s 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. During 2023 a focus was made on increasing usage in certain plants due to leakage, with several repairs carried out. The amount of water used is monitored directly by the Groups Board which has set the target of a reduction of 15% of water used by the Group by 31 December 2030 compared to the base year of 2019. This target has already been achieved in 2023 – but a large effect is due to declining demand in the automotive sector. The target will therefore be kept under review if demand in the automotive sector does not recover in the Groups primary markets (GRI303-2).

In 2023 the Group has withdrawn 358,712 m<sup>3</sup> of water from third-party water suppliers during the year, a decrease on 2022 (GRI303-3):

<u>Water withdrawal (megaliters)</u>	<b>2021</b>	<b>2022</b>	<b>2023</b>
Freshwater withdrawn from third party municipal water supplies or private utilities measured using installed water meters*	338	375	359
Of which from areas with water stress drawn from surface water (South Africa, Turkey, Melfi (Italy) and Romania)	0	169	147

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

Water efficiency projects continue to encourage production facilities to engage in substantial water efficiency actions, and these projects are reviewed centrally on an annual basis to spread the best ideas across the production facilities.

To support the reuse of water, an indicator of water recycled and reused is reported regularly to the Corporate EHS department. The amounts remain small but improve year by year.

Water recycled and reused (megaliters)	2021	2022	2023
Total volume of water recycled and reused*	7	8	9
	2021	2021	2020
Total volume of water recycled and reused as a percentage of water withdrawn	2%	2%	3%

\* 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.

### CO<sub>2</sub> emissions management (3-3)

The production carried out at Group facilities includes a wide range of metal manufacturing processes. Such processes can consume a relatively high level of energy, mainly electricity, for welding, stamping and assembly of automotive metallic components. The facilities also use significant amounts of gas, principally for heating and for certain production processes such as painting. This means that CLN is a contributor to global warming due to the GHGs, principally CO<sub>2</sub>, generated by its operations. The Group is committed to reducing the amount of GHGs attributable to its operations, in the medium term through the migration of electrical energy towards clean (solar, wind, hydroelectric) or nuclear sources, which generate little GHG. In the longer term the Group will use a compensation approach, such as the purchase of carbon credits, when this becomes economically feasible.

Reducing the amount of GHG generated has several negative impacts on the environment and negative commercial implications (3-3a).

CLN customers require the formal commitment of medium-term targets for step reduction of GHGs and long-term commitments to net zero GHG generation. This means that if CLN does not commit to reducing its net GHG emissions there is an actual risk that customers will stop giving the Group new business, which means that in the long term the company will cease to exist in the automotive industry. Customer retention is severely impacted by GHG reduction – it is a question of long-term economic survival.

There is a regulatory push to reduce GHG emissions in the main markets in which the Group is present, particularly strongly in Europe. The European Union CO<sub>2</sub> target is to have halved emissions by 2030, with a ban in combustion engine passenger vehicles coming into force in 2035. The target within the automotive sector in Europe is to have reduced CO<sub>2</sub> emissions by 100% from 2035 onwards. The high cost of meeting these targets is increasing the cost of new cars and putting considerable strain on supplier margins. The management of GHGs in CLN is therefore a delicate balance of meeting targets whilst mitigating the financial costs of doing so, which poses significant economic challenges over the medium term for the shareholders. As well as the customer retention issue mentioned



above, there is the additional potential risk in the medium term that the EU introduces fines for those enterprises that do not demonstrate GHG reduction.

The Group has committed to the global goals of the Paris Agreement and Group companies are required to support this commitment. Supporting the goals of the Paris Agreement has a short-term positive impact on the reputation of CLN as it allows all stakeholders to see there is a long-term commitment by the shareholders to meet the challenge of Global Warming.

It is clear therefore that CLN is systematically involved with the impacts of GHGs through its activities and because of customer and governmental requirements (3-3b). The impacts are so important that the Group manages the topic of GHG emissions top-down. For this reason, the Group's Board of Directors has set a target of a reduction of 50% of Scope 1 and 2 GHG emissions by 2030 (adjusted for clean energy sources) and monitors the situation every year in its formal Board meeting. Day to day responsibility to manage negative impacts of GHGs and lead reduction initiatives rests with the Group's EHS department.

As explained earlier in this report, the production carried out at Group facilities includes a wide range of processes which use large amounts of energy. This means that the Group's facilities are a significant indirect contributor to GHG emissions, mainly CO<sub>2</sub>, through their use of energy sources to produce components.

The Group reports to the Carbon Disclosure Project ('CDP') in support of the common commitment of the automotive industry to support the Paris Agreement. The CDP's data both encourages and tracks global progress towards building a truly sustainable economy for people and the 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 stakeholders' requests for disclosure in terms of demonstrating our alignment with their ambitions and commitments.

Scope 1+2 GHG emission targets are essential for CLN because they are the emissions most directly manageable by CLN. The choice of this target and the 2030 timeframe was made considering the targets of our main stakeholder customers who require their suppliers to commit to steep reductions in GHG emissions. The long-term goal of our customers, and of CLN, is to achieve net-zero GHG emissions in accordance with the Paris Agreement. The alignment with our customer targets means that the Group's emissions reduction pathway and medium-term targets are compatible with a long-term emissions reduction pathway for the industry in which CLN is engaged.

The emissions target for 2030 has been allocated by region and facility to be able to identify those areas where special attention may be required. As of 31 December 2023, the Group



is on track to meet the 2030 target, having achieved a reduction of 27% of Scope 1 and 2 GHG emissions since 2019.

The Group also monitors an emissions intensity figure calculated according to market standards as - Scope 1 + Scope 2 emissions/Total revenue in Euro. The emissions intensity figure for 2023 is 0.067 Kg of CO<sub>2</sub> per Euro of revenue, a similar figure to 2022.

The strategy for achieving 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 need to be in place for the successful implementation of the strategy and for ensuring the individual subsidiaries 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 purposes. In 2023 the Group's direct and indirect CO<sub>2</sub> amounted to 106,728 metric tons of carbon dioxide equivalent, which is a similar level to 2022 (GRI305-1, GRI305-2).

Group SCOPE 1 - tCO <sub>2</sub> e from fuel combustion on site	2021	2022	2023
Direct CO <sub>2</sub> emissions (metric tons of CO <sub>2</sub> equivalent)	14,199	16,215	15,983
Group SCOPE 2 - tCO <sub>2</sub> e from electricity purchased	2021	2022	2023
Indirect CO <sub>2</sub> emissions (metric tons of CO <sub>2</sub> equivalent)	92,965	90,501	90,746
Group SCOPE 1+2 - tCO <sub>2</sub> e	2021	2022	2023
Total direct and indirect emissions (location based)	107,164	106,716	106,728
<i>Note: Estimation adjusted for energy coming from green sources (market based)</i>	64,211	75,018	91,046

*Calculation basis: The GHG emissions have been calculated using the International Energy Agency 2020 conversion factors.*

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 GHG 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 15,000 trees by 31 December 2030, including those planted from 1 January 2019 (Spekboom in South Africa is defined as a tree for this target). As of 31 December 2023, CLN Group has exceeded the target and has planted the following number of trees since 2019:

- MW division – 7,514 trees accumulated.
- MA division – 10,584 trees accumulated.

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 GHGs 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.

### **Scrap and waste management (3-3)**

CLN Group facilities produce significant scrap metal 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.

The large amounts of such metallic waste could have a potential negative impact on the environment, for example using up landfill for waste, if not correctly disposed of, and generating GHGs as new steel requires more carbon fuel to produce. Furthermore, there would be an unsustainable economic cost to the Group if the scrap is not sold as customers would not bear this cost (3-3a).

Fortunately, 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 the 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

This means that the Groups facilities in all locations can systematically mitigate the potential impacts in the short term, because the scrap arising from the operations is collected regularly, often daily, from the facilities for recycling. Medium- and long-term negative impacts from such scrap are negligible.

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

The input steel and aluminium used in the Group's production processes is of a very high quality and grade and is usually approved by our customers and purchased from large multinational steel or aluminium producers. Suppliers of metals for CLN's products come from raw material suppliers that have a close and long-term business relationship with CLN. The Group's suppliers of steel and aluminium have been carefully vetted to ensure that they meet high levels of sustainability compliance (3-3b).

Responsibility for managing scrap in line with specific agreements, which outline conditions between the parties and are aligned with local legislation, rests with local management at each facility.

Some of the Group's facilities have cataphoresis painting lines. The painting process has the potential negative short-term impacts if there are individual incidents such as chemicals leaking from the painting tanks. There is also the potential for economic losses due to fines being imposed or due to clean-up operations to remediate the damage. The risk is felt to be low due to the safety measures and procedures put in place – but despite this low

risk, local facility management is required to have robust procedures to avoid incidents of this nature.

Steel and aluminium are by far the most significant input required for the Group's activities, and over 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.

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. 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 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 and 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 cartons 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.

During 2023, 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. The contract conditions are monitored by a specific manager responsible for each region. 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>	2021	2022	2023
Non-hazardous waste – mainly metal scrap diverted from disposal and re-sold for recycling into reusable material offsite	278,457	272,661	283,647
Hazardous waste disposed of with licensed third parties for incineration offsite without energy recovery.	2,602	2,547	2,255

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>	2021	2022	2023
Recycled waste percentage	98%	98%	99%

Significant spills are required to be reported to the Corporate EHS department. No significant spills occurred during the year ended 31 December 2023, and there were no significant fines or sanctions for non-compliance with waste disposal laws and/or regulations.

### **Sustainability in the steel and aluminium supply chain (3-3)**

About 80% of CLN purchases are of steel or aluminium and come from a small number of large suppliers. 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. (3-3a).

The potential negative impacts of CLN's supply base not correctly managing the material topics of concern to CLN are mitigated by the fact that a large proportion of the suppliers have sophisticated Corporate Social Responsibility and Sustainability processes which are transparently published on their corporate websites. This considerably reduces the risk to CLN and its customers of large actual or potential negative impacts in the supply chain. For smaller suppliers, CLN mitigates the potential negative impacts by setting out minimum Corporate Social Responsibility and Sustainability requirements in the purchasing terms and conditions.

The steel sector has special characteristics regarding GHG emissions due to the high use of coal in the production process – the steel industry is one of the largest contributors to GHG emissions. As CLN depends on steel for its products, there is a potential negative long term economic impact from its supply chain if the steel industry does not find solutions for low GHG steels at economically affordable prices in time for the automotive industry to meet its GHG reduction targets. This would also compromise the target of respecting the Paris Agreement commitments.

Considerable economic resources are being put into the transition to less polluting steels by our suppliers, and CLN has entered several agreements with its steel suppliers to test the new steels in its facilities to cooperate in remediation for the negative impacts steel production has on global warming (3-3b).

CLN is also cooperating with its customers to design products that are lighter and therefore use less steel than previously. For example, the weight of steel wheels has decreased over the recent past due to engineering improvements and simulation, which means less steel is required per wheel.

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 mainly managed by Corporate Purchasing in Italy. About 80% of CLN purchases are of steel or aluminium and 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 facility concerned. CLN employees receive regular updates from suppliers in face-to-face meetings to keep up to date on developments in those industries and to find areas of cooperation.

The Group emitted a 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 2023 was about 1,268 million euros. Of these 1,020 million euros are for purchases of steel or aluminium coils and plates. 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 equipment and machinery amounted to about 97 million euros in 2023.

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 80% of CLN purchases are of steel or aluminium and the Group's CSR Compliance Officer has carried out a review of CLN suppliers of over 90% of the steel and aluminium used by the Group during the last few years. The review included an extensive review of CSR and sustainability reports, independent audit conclusions, and 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 8% of total purchases and capital items representing approximately 8% of total purchases. For these suppliers, CLN Group is committed to responsible sourcing and to communicating this commitment as broadly as possible within the supply base. Where CLN becomes aware that a key supplier has policies or practices which are incompatible with the Group's Code of Ethics, the purchasing organization is responsible for taking action to try to improve the performance of the supplier or discontinue sourcing where this is feasible.

An addendum to the supplier Terms and Conditions has been sent to most Group suppliers (excluding steel and aluminium suppliers). This means that a minimum level of CSR is formally required of those suppliers for every new purchase order issued. The addendum 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

The Board of Directors of CLN has set a target for our purchasing department that the terms and conditions addendum will be rolled out to over 70% of suppliers by 2030 (excluding steel and aluminium suppliers). This has been achieved in 2023.

On behalf of Board of Directors

Beatrice Perris Magonetto

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

## APPENDIX 1 : 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 2023 to 31 December 2023 in accordance with GRI Universal Standards 2021

GRI Standard	Disclosure	Page number	Omissions/Notes concerning coverage of GRI disclosure
GRI 2 General Disclosures 2021	2-1a. Legal name of organisation	7	-
	2-1b. Nature of ownership and legal form	7	-
	2-1c. Location of headquarters	7	-
	2-1d. Countries of operation	17	-
	2-2a. Entities included in the sustainability reporting	7	-
	2-2b. Difference of entities with financial reporting	7	-
	2-2c. Approach for consolidating information	8	-
	2-3a. Reporting period	7	-
	2-3b. Financial reporting period	7	-
	2-3c. Publication date of CSR report	1	-
	2-3d. Contact point for questions regarding this report or reported information	15	-
	2-4 Restatement of information	8	-
	2-5 External assurance	7	-
	2-6a. Sectors in which CLN is active	7	-
	2-6b.i. Activities, products and markets served	17	-
	2-6b.ii. Supply chain	59	-
	2-6b.iii. Entities downstream from the organisation and their activities	17	-
	2-6c. Relevant business relationships	17	-
	2-6d. Significant changes in activities, value chain and business relationships	8	-
	2-7 Information on employees	31	Non-guaranteed hours employees do not exist in the Group so no disclosure is reported for this type of employee.
2-8 Workers who are not employees	35	The data is not reported for the previous years as it was not available.	
2-9 Governance structure and composition	9	-	
2-10 Nomination and selection of the board of directors	9	CLN is a privately owned company and the disclosure of the nomination and selection process and the criteria used for appointing members of the board of directors are omitted for reasons of the confidentiality of the individuals involved.	
2-11 Chair of the highest governance body	9	-	
2-12 Role of highest governance body in overseeing the Management of impacts	14	-	
2-13 Delegation of responsibility for managing impacts	14	-	
2-14 Role of the highest governance body in sustainability reporting	14	-	
2-15 Conflicts of interest	10	-	
2-16 Communication of major concerns	30	-	
2-17 Knowledge of the highest governance body	29	-	
2-18 Evaluation of the performance of the highest governance body	9	CLN is a privately owned company and the disclosure is omitted for reasons of the confidentiality of the individuals involved.	
2-19 Remuneration policies	9	CLN is a privately owned company and the disclosure is omitted for reasons of the confidentiality of the individuals involved.	
2-20 Process to determine remuneration	9	CLN is a privately owned company and the disclosure is omitted for reasons of the confidentiality of the individuals involved.	

	2-21 Annual total compensation ratio	9	CLN is a privately owned company and the disclosure is omitted for reasons of the confidentiality of the individuals involved.
	2-22 Statement from senior decision-maker	2	-
	2-23 Policy commitments	11	-
	2-24 Embedding Corporate Social Responsibility within the Group	14	
	2-25 Processes to remediate negative impacts	13,20,26,37	-
	2-26 Mechanisms for seeking advice and raising concerns	15,26,27	
	2-27 Compliance with laws and regulations	13,26,27	
	2-28 Membership of associations	16	-
	2-29 Stakeholder engagement	19	
	2-30 Collective bargaining agreements	36	-
<b>MATERIAL TOPICS</b>			
<b>GRI 3: Material Topics 2021</b>	3-1 Process to determine material topics	16	-
	3-2 List of material topics	23	-
<b>MATERIAL TOPIC ETHICAL BEHAVIOUR</b>			
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	24	Also covered in each section of material topic
<b>GRI 205: Anti-corruption 2016</b>	205-1 Operations assessed for risks related to corruption	24,28	-
	205-2 Communication and training about anti-corruption policies and procedures	28	-
	205-3 Confirmed incidents of corruption and actions taken	28	-
<b>GRI 206: Anti-competitive behaviour 2016</b>	206-1 Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	28	-
<b>MATERIAL TOPIC ENERGY</b>			
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	46	-
<b>GRI 302: Energy 2016</b>	302-1 Energy consumption within the organisation	48	-
	302-3 Energy intensity	48	-
<b>MATERIAL TOPIC WATER</b>			
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	49	-
<b>GRI 303: Water and effluents 2018</b>	303-3 Water withdrawal	51	-
<b>MATERIAL TOPIC CO<sub>2</sub> EMISSIONS</b>			
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	52	-
<b>GRI 305: Emissions 2016</b>	305-1 Direct (Scope 1) GHG emissions	54	-
	305-2 Energy indirect (Scope2) GHG emissions	54	-
<b>MATERIAL TOPIC WASTE</b>			
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	55	-
<b>GRI 306: Waste 2020</b>	306-2 Management of significant waste-related impacts	57	-
	306-3 Waste generated	58	
	306-4 Waste diverted from disposal	58	
	306-5 Waste directed to disposal	58	

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	44	-
GRI 307: Environmental compliance 2016	307-1 Non-compliance with environmental laws and regulations	46	-
<b>MATERIAL TOPICS EMPLOYMENT, HUMAN RIGHTS and EQUAL OPPORTUNITIES</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	31	-
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	36	-
GRI 405: Diversity and equal opportunity 2016	405-1 Diversity of governance bodies and employees	10,37	-
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	38	-
GRI 408: Child labour 2016	408-1 Operations and suppliers at significant risk for incidents of child labour	38	-
<b>MATERIAL TOPIC OCCUPATIONAL HEALTH AND SAFETY</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	39	-
GRI 403: Management approach 2018	403-1 Occupational health and safety management system	39	-
	403-2 Hazard identification, risk assessment, and incident investigation	40	-
	403-5 Worker training on occupational health and safety	43	-
Occupational health and safety	Work-related injuries	40	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	41	-
GRI 404: Training and education 2016	404-1 Average hours of training per year per employee	42	-
	404-2 Programs for upgrading employee skills and transition assistance programs	42	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	43	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	28	-
GRI 415: Public policy 2016	415-1 Political contributions	28	-
GRI 418: Customer privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	28	-

**Appendix 2**

**Process for identifying actual and potential impacts**

CLN relevant stakeholder	Detail	Meaningful engagement	Purpose/Interest	Negative impact	Positive impact	Identified by
<b>OEM Customers</b>	Stellantis, Daimler-Mercedes, Renault-Nissan, BMW, CNH	Information annually - Via required assessment platforms (CSR Officer level); Consultation ongoing via feedback of KAMs of individual customers	Economic interdependence: 80 % of turnover comes from 5 customers	Long term Economic/Customer retention - CLN operations discontinued as purchase orders depend on customer satisfaction. Long term environmental - Global warming; Water risk (from CDP - BMW priority)		CSR Officer in consultation with BoD representative, Key Account Managers and Central EHS management; Third party assessments; Compliance management systems (ISO)
<b>Non-governmental organizations</b>	CEO commitment to the UN Global compact; Commitment to the Paris Agreement on climate change; Commitment to ILO, UN guiding principles.	Information annually (CSR Officer level); Participation in supporting principles with annual commitment of CEO	Sustainable development to ensure long term future of CLN	Long term environmental - Causes and contributes to global warming. Short term reputational - respect for human rights and environmental impacts;	Support commitment to NGOs/Reputational enhancement.	CSR Officer in consultation with BoD representative; United Nations CoP
<b>Employees &amp; other workers</b>	UN International Bill of Human Rights in the supply chain; Rights to privacy (GDPR); freedom of expression;	Information annually - Via Communication on Progress; Consultation quarterly with central HR/CSR Officer using KPI.	Human rights entitlement by law and internationally recognised NGOs	Long term human rights in the supply chain; Short term legal impacts; Short term reputational damage; Employee retention/Medium term difficulties in recruitment; Short term business disruption in case of strikes.	Participation of Women in CLN increasing skills available. Training leading to higher potential economic performance.	CSR Officer in consultation with BoD representative and central HR; Third party assessments; Compliance management systems (ISO); Whistle-blowing mechanism.
<b>Shareholders</b>	Magnetto family (75%), ArcelorMittal (25%)	Consultation three times per year; Direct via CLN Board of Directors	Economic ownership; Ethical and legal behaviour; Mitigation of environmental impacts; Health and safety of employees.	Economic costs/efficiency; Economic decline; Legal sanctions and reputational damage	Tree planting initiatives to mitigate GHGs; Solar panel projects; Both are low significance due to scale	Board of Directors supported by CSR Officer
<b>Suppliers of steel and aluminium</b>	ArcelorMittal, ThyssenKrupp, Voestalpine, Salzgitter, US Steel	Direct via CLN Central Purchasing department	Economic interdependence: 80 % of CLN purchases are of metal sheet, mostly steel (670Tons in 2022) from a small number of large suppliers	Environmental - Contributes to global warming. Economic - CLN operations discontinued as due to CLN product dependency on steel and aluminium. Survival of steel/aluminium industries.		CSR Officer in consultation with BoD representative, Central Purchasing, Minority shareholder (AM)