

**COMMUNICATION ON PROGRESS ('COP')
UNITED NATIONS GLOBAL COMPACT**

September, 2019

To the Stakeholders of CLN:

I am pleased to confirm that C.L.N. Coils Lamiere Nastri S.p.A. ('CLN') and its Subsidiaries (together the 'CLN Group') continue to make good progress in support of the Ten Principles of the United Nations Global Compact on human rights, labour, environment and anti-corruption.

In this - our second - COP, CLN Group sets out our actions to improve the integration of the Global Compact and its business principles into our business strategy, culture and daily operations since our first COP in 2018.

We have shared this information with our stakeholders on the CLN Group website (www.gruppocln.com) by including it within our Annual Financial Report for the year ended 31 December 2018.

Sincerely yours

Gabriele Perris Magnetto
CEO

**CONSOLIDATED DISCLOSURES OF NON-
FINANCIAL INFORMATION**

2018

1. Introduction

1.1 Methodological aspects

The CLN Group (hereinafter also referred to as the Group) falls under Legislative Decree n° 254 issued on December 30th, 2016 (hereinafter also referred to as the Decree) – the Italian implementation of European Directive 2014/95/EU, related to the reporting of non-financial information – in that it is a company of public interest and complies with the size and financial requirements prescribed by the decree.

This document is the Group's second-ever Consolidated Disclosures of Non-Financial Information (hereinafter also referred to as NFD), which is an important tool through which the Group may communicate its initiatives regarding environmental/social sustainability as well as health and safety to all its stakeholders, in full transparency. The results achieved are intended to incentivize a constant reduction of environmental impact, and the promotion of activities in the scope of sustainability and social commitment.

The report has been drafted in reference to the Global Reporting Initiative guidelines published in 2016, known as GRI Standards and used as the main tool for sustainability reporting at a national and international level. The approach used to report social and environmental data is the same defined in GRI Standards as “Referenced”. This has allowed the Group to select – upon a careful analysis of those available – the most suitable GRI Standards to provide accurate information concerning its non-financial activities. The “GRI Standards Index” table in the Appendix includes the code, name, and page of reference within this document for each GRI Standard.

A workgroup has been created to draft the document, involving the heads of the various corporate departments in order to obtain a complete and transversal description of all non-financial aspects related to Group activities.

The selected GRI Standards were the result of a preliminary materiality analysis, based upon which the relevant topics within the Group's plan of action and their potential impact on the Group and its stakeholders were identified. In particular, the Group is required to provide information concerning its business models, the policies implemented for management of the above described topics, the main risks connected to such topics, and the most suitable performance indicators to represent the related results. Such information allows an understanding of corporate trends, current status, and the impact of its activities.

The period of reference is 2018, but data concerning 2017 and 2016 shall also be presented for comparative purposes. The document will be published on an annual basis as an integral

part of the Annual Report, and will be subject to audit of the information provided, in compliance with Legislative Decree n° 254/2016.

The scope of analysis includes the subsidiaries fully consolidated in the financial statements of the parent company, with the following exceptions:

- the joint venture MA Automotive Brasil Ltda., included in the analysis of information concerning health and safety at the workplace and environment for the three-year period assessed.

Ultimately, the Group priorities include developing a trust relationship with its stakeholders, its presence and care for the local context, the well-being of its employees, and the integrity and transparency of its operations.

The information provided is confirmed by data of a measurable size and within the corporate documentation; estimates are used as little as possible, and it is always specified when an estimate is used.

1.2 Business Model

Business model

The Group has been operating in the steel sector since 1948.

It is one of the main players on the global stage of processing and assembly of metal components (steel and aluminum) for the automotive industry through its divisions:

MA | automotive metal components division

MW | steel wheels division

It is also active in the European steel supply and cold re-rolling market.

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

CLN Group operates in nine countries worldwide (Italy, France, Germany, Poland, Romania, Slovakia, Russia, South Africa, and Serbia) – considering its subsidiaries only – thanks to the work of over 7,700 employees dedicated to satisfying customer requirements, in full respect of local communities and the environment.

Description of business activity

The two divisions operating in the metal automotive components sector represent the Group's core business.

MA – the Automotive Metal Components division – is one of the main global suppliers of metal parts – stamped or roll-formed components (external and structural), and components for propulsion/powertrain systems – for any type of passenger car and commercial vehicle or truck in the world automobile industry.

MW – the Steel Wheels division – is a market leader in the sector of steel wheel manufacturing for all types of vehicles (passenger cars and light commercial vehicles), supplying clients with complete solutions for engineered wheels, from the design phase to the choice of materials.

Both divisions contribute – thanks to the use of innovative materials and processes – to making vehicles lighter and thus reducing greenhouse gas emissions.

Moreover, the Group operates in the high carbon flat steel processing sector (high carbon steel reels and cold re-rolled alloys) as well as in the supply of flat steel products from service centers.

Steel is a raw material that – due to its characteristics – is the essence of sustainability and circular economy itself, given it is 100% recyclable, and may be recycled an infinite amount of times.

In Italy only, 75.3% of steel packaging on the market was recycled in 2017: this is one of the highest rates recorded among recyclable materials. The steel recovered through recycling is re-melted, polished, and given new life in semi-finished products of a high quality used in a large number of fields (source: RICREA).

In an external and internal scenario of growing awareness on topics related to corporate social responsibility, the CLN Group has launched a conscious process of practical actions, including the commitment to the United Nations Global Compact, intended to translate values such as ethics, integrity, responsibility towards the environment, society as a whole, and humans into initiatives inspired by continuous improvement and prevention in manufacturing processes, based upon the fundamental principles of minimum environmental impact and resource optimization. Moreover, the Group has always committed to and adopted a responsible behavior towards health and safety at the workplace, considered one of the corporate priorities.

Inspired by the motto *Quality, passion for details*, the Group and its employees are constantly committed to provide customers – in a competitive sector – the highest levels of product and

service quality as well as working excellence, pursuing the lowest environmental impact possible. Its customer satisfaction is also concretely proven by means of official recognitions, such as the Supplier Awards assigned to the Group and its subsidiaries by major OEMs (Original Equipment Manufacturers) in the past few years.

In the scope of its Corporate Capital Venture program, the Group's investment plans are targeted towards start-ups with a strong social or environmental spirit.

1.3 Corporate Governance

CLN's corporate governance system is structured in accordance with current standards applicable to the sector.

The main corporate governing bodies of the parent company C.L.N. S.p.A. are the Shareholders, the Board of Directors, the Board of Statutory Auditors, and the Supervisory Board (in accordance with Italian Legislative Decree n° 231).

During the Annual Meeting of Shareholders an electing board of shareholders convenes on corporate decisions. The collective body of shareholders deliberates by way of majority vote in accordance with and 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 among most important tasks carried out at the Meeting of Shareholders.

The CLN Board of Directors also operates through two CEOs and a director with power of representation. The Board carries out – among other functions – the analysis, sharing, and approval of annual budgets as well as strategic, business, and financial plans of the Group and the monitoring thereof.

The Board of Directors includes ten members (three female and seven male) representing all the shareholders. Aurora Magnetto and Gabriele Perris Magnetto share the role as Chief Executive Officers.

The Board of Statutory Auditors monitors compliance with the law and corporate charter, respect of the principles of good management, and in particular the suitability of the organizational, administrative, and accounting structure implemented by the company, as well as the effectiveness thereof. The Board of Statutory Auditors includes 3 permanent members (one female and two male) and 2 substitute auditors (one female, one male), and also plays the role of Committee for Internal Audit and Accounting Revision in accordance with Article 19 of Legislative Decree n° 39/2010.

Members of corporate governing bodies (Disclosure 405-1; Disclosure 102-18)

<u>Board of Directors</u>	2016		2017		2018	
Age	Male	Female	Male	Female	Male	Female
< 50 years	2	1	1	1	1	2
≥ 50 years	7	1	8	1	6	1

<u>Board of Statutory Auditors</u>	2016		2017		2018	
Age	Male	Female	Male	Female	Male	Female
< 50 years	1	2	1	2	1	2
≥ 50 years	2	0	2	0	2	0

The C.L.N. S.p.A. Supervisory Board, nominated by the March 28th 2017 Board of Directors resolution, includes two members (one female and one male), both external to the company. The Supervisory Board monitors implementation and the constant update of Legislative Decree n° 231 within the company. Its powers/activities include: supervision of compliance with the decree; assignment of disciplinary sanctions for breach of its rules; update and promotion of the decree among its addressees.

1.4 Corporate Social Responsibility within the CLN Group

In an external and internal scenario of growing awareness on topics related to corporate social responsibility, the CLN Group has undertaken, in the past few years, a process for the gradual implementation of actions concerning sustainability, and of an organizing structure designed for management thereof.

This process is based upon the following main elements:

- **Governance Structure/Workgroups:** identification of a suitable structure for management of CSR topics.

Starting in the second semester of 2017, CSR projects have been managed by a team working at the Group level and including representatives of the main corporate departments so as to guarantee a common approach and suitable sharing of information.

The workgroup reports to:

- Beatrice Perris Magnetto: supervision on CSR activities and relationship with the Group's Board of Directors
- Adrian Gordon: CSR management for the Group and coordination of all CSR activities

Moreover, the full workgroup includes a Group manager for every one of the following areas:

- Environment
- Labor practices and Human Rights
- Sustainable procurement
- Fair business practices
- Customer interfaces
- Finance
- KPIs/CSR metrics

Each member of the team may be associated to one or more supporting members. Furthermore, the nomination of a CSR manager is expected in 2019, for each of the macro-regions in which the Group operates, and in particular:

- Italy
- France
- Poland
- Germany
- South Africa
- Brazil

- **Non-financial indicators:** identification of a series of indicators related to CSR topics deemed significant at the group level; subsequent implementation of a regular monitoring system for such indicators and establishment of realistic targets for a continuous improvement thereof.

In particular, since 2018 the following indicators are monitored at the Group level on a trimestral basis:

- HR (human resource) Statistics: classification of the personnel by gender, age, job level, and contract type, with a specification of the training hours provided (number and type).
- HSE (health, safety, environment) Indicators: frequency and severity indicators for injuries, energy and water consumption, CO₂ emissions, waste management.

The evolution of such indicators is subjected to the attention and assessment of Group Management and of the Board of Directors member assigned to the supervision of CSR-related topics.

- **Policies and procedures:** setup of policies and procedures related to CSR topics, as well as their promotion within the Group.

For this purpose, the following fundamental policies have been issued or updated over the year 2018:

- Health and safety
- Environment
- Equal rights and diversity
- Work and human rights
- Whistleblowing
- Water
- Accidental pollution

These policies may be consulted and downloaded on the Group website.

- **CSR assessment performed by clients:** management of assessment processes requested by the main clients to the Group, and consequent improvement of ratings.

In particular, the Group undergoes – on an annual basis – assessment performed directly by its customers by means of specific questionnaires (M2P2, NQC, etc.), or indirectly by means of audits conducted by third parties (Ecovadis, Intertek, etc.).

In this respect, the Group has the following fundamental prerogatives:

- the correct and prompt response to requests deriving from such assessment processes;
- achieving a satisfying overall rating;
- constant improvement of the assessments over the years.

- **Subscription to specific CSR projects:** selection of national and international projects relevant to the ethical principles of the Group.

Among the most significant projects, it is worth highlighting that the Group has undertaken a process towards subscription to the United Nations Global Compact. Such subscription grants access to a series of opportunities, including:

- the adoption of a stable and globally recognized operating framework for the development, implementation, and description of environmental, social, and governance-related practices;
 - the promotion of sustainability solutions in partnership with a wide range of stakeholders including UN agencies, governments, civil society organizations, labor unions, and other non-business organizations;
 - access to the knowledge and experiences concerning sustainability and development promoted by the United Nations and to the tools and management resources developed by the Global Compact;
 - acquisition of specific know-how;
 - possibility to be involved in activities focused on different environmental, social, and governance issues.
- **Supply chain:** verification of the Group's compliance with fundamental ethical principles by suppliers, and progressive extension of such compliance to the key criteria for selecting the principles.

The relationship with suppliers has always been based upon the principles of loyalty, fairness, and cooperation. In addition to such principles, the Group is gradually developing a process of growing demand for assessment of supplier reliability in terms of CSR-related topics. More specifically, the process includes three main phases:

1. Obtainment of written confirmation by the suppliers of (a) compliance with local standards, (b) implementation of a suitable governance of CSR-related topics, and (c) commitment to promote such topics to its own pool of suppliers.
2. Obtainment and analysis of specific questionnaires designed by the suppliers, on the basis of which to achieve an assessment for CSR purposes.
3. Implementation of assessments deriving from the previous phase 2 in the overall assessment of suppliers for selection purposes.

Throughout 2018, only the first phase of the process was implemented: implementation of the following two phases is a goal for the years 2019 and 2020.

▪ **Training**

Progressive training of the personnel targeted towards acknowledgement and understanding of CSR-related policies.

Within the Group's overall growth path, a fundamental element is suitable personnel training. In this specific case, the Group deems it necessary that there is, within the company, an appropriate knowledge of the main CSR-related policies.

For this purpose, specific training sessions are planned throughout 2019, first in Italy then in the main macro-regions in which the Group operates.

Also in 2019, the Group has planned comprehensive ‘road shows’ in the main foreign regions with the purpose of presenting CSR initiatives it is developing, and to raise awareness on the latter.

1.5 Risks related to non-financial topics

The Group is conscious of how important it is to identify, assess, prevent, and reduce potential risks, including risks related to non-financial topics that add to financial and operating risks described within the Annual Financial Report.

Risk mitigation is facilitated by the implementation of clear operational procedures, implemented in a punctual and homogeneous manner; for this reason, the Group started an Enterprise Risk Management project in 2016, which uses internal resources and external consultants aimed at revising and updating key procedures and creating a function of Internal Audit to aim at verifying compliance.

During 2018 this project led to the updating of some key operating procedures including, procedures related to investments, purchases and management of new projects with customers.

With particular reference to risks of a non-financial nature, the main cases are set out below, together with the way in which the Group mitigates their effects.

- **Risks related to anti-corruption**, in terms of the possible occurrence of events and/or circumstances linked to active and passive corruption.
For this purpose, the Group has drafted and constantly updates its own Code of Ethics, describing in detail the mandatory guidelines employees are required to abide by. The requirements of the Code are transmitted to employees through written publication and eventual training activity. In addition to the Code of Ethics, a specific whistleblowing policy was issued during 2018.
- **Risks related to people**, namely those linked to health and safety at the workplace, employee management, respect for human rights, and equal rights.
For this purpose, the Group carries out related internal awareness campaigns and constantly monitors the results achieved, as well as eventual reporting of behavior against the law or internal procedures. In support of the Group’s sensitivity to these

risks, specific policies on Health and Safety, Equality and Diversity, Work and Human Rights were issued during 2018.

- **Environmental risks** related to greenhouse gas emissions of manufacturing processes, energy consumption, waste production, and water consumption.

For this risk type, the Group constantly assesses the most suitable internal and external methods for raising awareness, and sets annual goals for the reduction of the environmental impact of its activities, consistently monitoring the latter and assessing the results achieved by the individual production plants. In support of the Group's sensitivity to these risks, specific policies on Environment, Water and Pollution were issued during 2018.

- **Risks related to commercial relationships with customers and suppliers**

The Group strives to guarantee that its relationships with customers and suppliers are based on ethical and sustainable practices, based upon absolute respect of current standards and coherent with the guidelines of the Group Code of Ethics.

2. Materiality

2.1 Identification of material topics

Materiality analysis is the tool used to identify contents of the NFD, based upon the non-financial topics considered most relevant and with the most impact. To perform such an analysis, the Group has taken into account the requirements of the aforementioned Decree, and especially the principles governing its corporate activities, as well as the interests of its stakeholders and their expectations.

In order to facilitate the identification of the topics to include and develop on in this NFD, the Group has:

- identified its stakeholders;
- analyzed the sustainability context specific to the sector of reference by means of a benchmark analysis against the main competitors and an investigation on the topics considered relevant to its business.
- surveyed – through the involvement of workgroup representatives – material aspects, expectations, and the matters most related to the Group in comparison with those involving its stakeholders, with the purpose of analyzing the most relevant topics in accordance with the aforementioned Decree.

Group stakeholders include: shareholders, employees, clients, suppliers, and local communities.

Topics dealt with in the NFD refer to 5 macro-issues as listed below:

1. Values
 - Corporate values and reputation
 - Ethics and the fight against active and passive corruption
2. People
 - Health and safety at the workplace
 - Relationships with labor unions
 - Human rights and equal opportunities
 - Personnel training
3. Environment
 - Energy efficiency
 - Emissions management
 - Scrap and waste management
 - Water management
 - Environmental certifications
4. Products, Clients, and Supply Chain
 - Product quality and Customer satisfaction
 - Supply chain
5. Social aspects and relationship with the local context
 - Social initiatives
 - Cooperation with Universities

Following the materiality analysis described, the resulting topics have been assigned priority levels for both the Group and its stakeholders.

The topics will be analyzed and developed on within this NFD, also for the purposes of compliance with Legislative Decree n° 254/2016.

3. Values

The Group commits to promoting ethical and responsible behavior and to make it so that its employees work fully in compliance with current standards and with its current Code of Ethics and policies.

3.1 Corporate values and reputation

The Parent company has established 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.

Code of Ethics

This clear set of values is included in the Group Code of Ethics. The Group is committed to guaranteeing that all employees, suppliers, or any other party related to the Group share such values.

The Code of Ethics, which may be consulted and downloaded on the Group website, provides the undisputable guidelines pertaining to the following fields.

- Business ethics: conflict of interest, confidentiality and classified information, corruption and illegal payment, money laundering, competition, and reputation.
- Employees: child labor and forced labor, freedom of assembly, equal rights, abuse, work environment, wage and working hours, hiring and promotions, internal monitoring system, corporate data and books of accounts, corporate property, external activity, obligations, and prerogatives of employees in management positions.
- Health, safety, and environment: environmental safety in working processes, environmental impact, and product safety.
- Relationships with third parties: clients, suppliers, public institutions, labor unions and political parties, corporate communication and information, relationships with the media.
- Accounting and internal audit: fairness, transparency, and promptness of financial information.

In 2018 the Code of Ethics was translated in the main languages used in the countries in which the Group operates, and the managers of all the Group companies have undersigned a letter of subscription to its contents, with the commitment to share knowledge of the Code with its employees.

3.2 Ethics and the fight against active and passive corruption

The Group does not tolerate any form of abuse of power, active corruption, or passive corruption, either in its relationship with the public administration or with private entities. This position helps to re-enforce the commitments the Group has voluntarily made through

its policies and procedures to address the fight against corruption, which are constantly updated and adapted to current legislation. The Group has defined rules to manage such topics in the Code of Ethics.

Moreover, C.L.N. S.p.A. and Italian subsidiaries MA S.r.l. and MW Italia S.r.l. have adopted specific management and organization models in accordance with Legislative Decree n° 231/01, including a specific Anti-corruption Code of Conduct.

The Group thus has formalized its fight against corruption, for which it acts as a guarantor in carrying out its activities. It has designed a roadmap that requires a formal subscription to the highest levels of integrity, honesty, and fairness by the recipients of the Code of Ethics – specifically administrators and employees.

All recipients are held responsible – in carrying out their work activity – for strictly rejecting any form of abuse of power and corruption.

The Group and the recipients commit to ensure that all laws and regulations related to the abuse of power and corruption are respected in full, in every jurisdiction of operation.

Whistleblowing Policy

The Group has also issued – in 2018 – a specific Whistleblowing Policy, based upon which the employees are given the possibility to report concerns pertaining to unsuitable corporate conduct, with the guarantee of being immune from retaliation or victimization due to reporting done in good faith.

This policy applies to all CLN Group employees worldwide, including part-time, short-term, or contract workers. It may be utilized by the affected people or entities and the family members, or even by suppliers, business partners and others, to report concerns related to business operations or to the conduct of Group personnel.

The reporting subjects shall remain anonymous unless they have given written consent to disclose their personal details.

Incoming reports shall be analyzed and managed by the Whistleblowing Committee. Such committee will receive, store, and assess every complaint and issue reported, and act accordingly. The type of action taken shall depend on the nature and severity of the issue. Every report received through the Whistleblowing portal or by mail will be promptly forwarded to the Whistleblowing Committee, providing details on the actions taken in response to each issue.

The analysis of eventual additional topics not managed formally through the Whistleblowing portal shall not fall under the tasks performed by the Committee.

(Disclosure: 419-1, 205-3)

Significant fines for noncompliance with laws and regulations in the social and economic context	In 2018, as in previous years, no significant fines have been imposed for noncompliance with laws and regulations in the social and economic context.
Cases of corruption and actions taken	In 2018, as in previous years, no cases of or losses ascribed to the “corruption and bribery” category have been recorded.

4. People

CLN Group is comprised of a multicultural group of employees: about 7,700 individuals in total (counting C.L.N. S.p.A. and its subsidiaries within the scope of consolidation) as at December 31st, 2018. Out of these, 22% work in Italy – which hosts the Group headquarters and most of the central technical and commercial offices supporting the production plants – 28% work in Poland, 22% in South Africa, 16% in France, 5% in Germany, and the remaining 7% in Romania, Russia, and Slovakia.

<u>GRI Disclosure 405-1</u> <u>Personnel by age group (n°)</u>	2016			2017			2018		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
< 30 years	589	97	685	653	102	755	676	97	773
30-39 years	1,745	239	1,984	1,736	275	2,011	1,649	264	1,913
40-49 years	2,004	295	2,299	2,066	285	2,351	2,166	297	2,463
50 years and above	2,011	361	2,373	2,077	360	2,437	2,191	379	2,570
Total	6,349	992	7,341	6,532	1,022	7,554	6,682	1,037	7,719

<u>GRI Disclosure 102-8</u> <u>Personnel by geographic area (n°)</u>	2016			2017			2018		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Europe	4,607	660	5,267	4,932	712	5,644	5,100	725	5,825
South Africa	1,462	293	1,755	1,388	291	1,679	1,395	287	1,682
Rest of the World	280	39	319	212	19	231	187	25	212
Total	6,349	992	7,341	6,532	1,022	7,554	6,682	1,037	7,719

<u>GRI Disclosure 405-1</u> <u>Personnel by category (n°) - Europe</u>	2016			2017			2018		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Directors	123	21	144	129	26	155	119	22	141
Employees	863	288	1,152	901	324	1,225	1,029	374	1,403
Manual workers	3,621	351	3,971	3,902	362	4,264	3,952	329	4,281
Total - Europe	4,607	660	5,267	4,932	712	5,644	5,100	725	5,825

<u>GRI Disclosure 405-1</u> <u>Personnel by category (n°) - South Africa</u>	2016			2017			2018		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Directors	6	0	6	6	0	6	6	0	6
Employees	141	23	164	136	28	164	169	32	201
Manual workers	1,315	270	1,585	1,246	263	1,509	1,220	255	1,475
Total - South Africa	1,462	293	1,755	1,388	291	1,679	1,395	287	1,682

<u>GRI Disclosure 405-1</u> <u>Personnel by category (n°) - Rest of the World</u>	2016			2017			2018		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Directors	3	0	3	0	0	0	0	0	0
Employees	52	21	74	38	15	53	38	20	58
Manual workers	225	18	242	174	4	178	149	5	154
Total - Rest of the World	280	39	319	212	19	231	187	25	212

At the end of 2018, employees hired on long-term contracts represented 92% of the total number.

<u>GRI Disclosure 102-8</u> <u>Hired personnel (n°)</u>	2016			2017			2018		
Contract type	Male	Female	Total	Male	Female	Total	Male	Female	Total
Long-term	6,026	904	6,930	6,096	928	7,024	6,136	949	7,085
Fixed-term	323	88	411	436	94	530	546	88	634

In 2018, the number of employees increased by 174 people as a result of a positive difference between new hires (578 employees, equal to 7.5% of the workforce) and resignations (404 employees). In 2018 the turnover rate was equal to 0.13.

<u>GRI Disclosure 401-1</u> <u>Hires and resignations (n°)</u>	2017			2018		
	Male	Female	Total	Male	Female	Total
Personnel as at 1/1	6,349	992	7,341	6,518	1,035	7,553
Hired employees	532	112	644	506	72	578
Resigned employees	(421)	(75)	(496)	(355)	(49)	(404)
Changes in scope of consolidation (*)	72	(7)	65	0	0	0
Personnel as at 31/12	6,532	1,022	7,554	6,682	1,037	7,719

(*) In 2017, these refer to the sale Excel-Rim Japan and Malaysia, and the establishment of ITLA BONAITI (in terms of the activity assigned by Giuseppe & F.lli Bonaiti S.p.A.)

At the end of 2018, about 2% of total employees were hired through part-time contracts.

<u>GRI Disclosure 102-8</u> <u>Contract type (n°)</u>	2016			2017			2018		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Full-time contract	6,293	931	7,223	6,471	952	7,423	6,611	935	7,546
Part-time contract	56	61	118	61	70	131	71	102	173

4.1 Health and safety at the workplace

The topic of health and safety at the workplace is the Group's main priority. To promote health and safety at the workplace requires the introduction of suitable measures and positive actions to ensure that employees may fully exercise their duties.

The activities performed by the Group for such purpose, managed locally by Safety Managers present at each of the plants, are as follows:

- to guarantee the observance of regulatory provisions regarding health and safety, and to promote initiatives based on a process of constant improvement and prevention;
- to define and implement control strategies for risk prevention;
- to continuously improve corporate performance and constantly monitor risks deriving from work activities;
- to provide corporate management with an efficient and effective management system that allows a consistent process of identification and solution of emerging issues, as well as an orderly flow of information that supports decision-making and operational responsibilities;
- to boost personnel involvement, motivation, and awareness;
- to contribute to improving levels of health and safety at the workplace;
- to improve internal and external corporate image, in order to gain confidence from customers, suppliers, and control entities/authorities;
- to gradually reduce costs of health and safety at the workplace.

In this respect, a specific Group policy based upon the following fundamental principles has been issued in April 2018.

- The Group employees, with their well-being and their psycho-physical integrity, are the most precious resource.
- The CLN group intends to implement safe and healthy working conditions.
- Safety and the safeguard of individual and collective health have maximum priority in all Group actions, and are considered an unavoidable goal to be constantly achieved and improved.
- The processes, products, plants, materials, and suppliers are defined, created, and maintained in accordance with the principles of safety and health protection of all the involved parties.

- The Group Code of Ethics, current legislations, and good manufacturing practices are the guidelines adopted to guarantee the safety of the workplaces and the protection of health.
- The Group has the duty to operate in complete safety, guaranteeing that every procedure is well understood and respected.
- Along with investments in technology and services, training on health and safety – concerning human factors – is a fundamental element to develop consciousness of all the parties affected and guarantee their involvement.

The continuous monitoring of Health and Safety indicators and the definition of challenging goals allows an assessment of Group performance, and to identify eventual actions for improvement.

<u>GRI Disclosure 403-2</u>	2016	2017	2018
Frequency Rate (n° accidents/n° hours worked)	4.64	3.95	3.19
Gravity Rate (n° days of absence due to injury/n° hours worked)	0.17	0.11	0.09

The effort by CLN Group management to reach and maintain such results is also evidenced by a continuous improvement and constant identification of new tools to implement.

Training and worker involvement are considered fundamental aspects for the creation of a strong and solid safety culture focused on risk awareness and on participation in safety-related activities. The aim is to spread a proactive and participatory approach. In 2018, about 42 thousand hours of training concerning the environment, health, and safety at the workplace were provided. Every day and at all plants the employees attend ‘5 minutes for safety’, a field-training session calling the attention of workers on specific topics.

In order to involve every employee and develop a safety culture, “safety days” are organized. These are days dedicated to training and raising awareness on the topics related to health and safety at the workplace, which are held on a rotational basis at the main facilities of the Group. The sessions are mainly directed at employees, but also involve their families, in order to underline how the health and safety culture must be given value in all contexts, not only the workplace. In 2018 the initiative was extended to a greater number of Group branches. The first-ever “safety day” held at the Rosslyn (South Africa) plant was especially significant: about

900 employees and their families took part, and it included a Safety Show – a drama performance – as well as numerous safety demonstrations (i.e. emergency and first aid simulations).

Certain initiatives also involved the sons and daughters of employees, for example the “*Sicurezza attraverso gli occhi dei bambini*” (safety in the eyes of children) project: at the numerous manufacturing sites, the children represented the safety topic through drawings, photographs, and illustrations. The best drawings were given an award and published in a corporate calendar.

The MA division celebrated the “European Week for Safety and Health at Work 2018”, focused on management of hazardous substances by means of an information campaign involving all employees in order to improve their awareness on the specific topic.

Finally, we should highlight that 56% of the Group plants have achieved OHSAS 18001 certification, and the aim is to reach 80% by 2020. Over the year 2019, the Group plans a transition from the OHSAS 18001 occupational health and safety management standard to the ISO 45001:2018 standard at MA facilities. The effectiveness of the management system is guaranteed by recurring internal and external audits with the aim to identify a growing number of new improvement opportunities and highlight eventual criticalities.

4.2 Relationships with labor unions

As at December 31st, 2018, about 75% of all the Group’s employees were employed through collective bargaining agreements.

GRI Disclosure 102-41 Percentage of employees employed through collective bargaining agreements (n°)	2016			2017			2018		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Total employees	6,349	992	7,341	6,532	1,022	7,554	6,682	1,037	7,719
Employed through collective bargaining agreements	4,638	691	5,329	4,840	724	5,564	5,052	727	5,779
Total	73%	70%	73%	74%	71%	74%	76%	70%	75%

The Group’s relationship with labor unions is historically based on transparency and focused on establishing balanced agreements between the parties.

In all the countries in which it operates, the Group adopts a negotiated approach based upon prompt communication of business scenarios and strategies, with particular reference to market-related issues and production projections, as well as – in terms of employment – human resource management.

In cases of critical occupational issues, the Group philosophy is based on consensus-based actions targeted towards the identification of the most suitable tools that, on a country-by-country basis, may allow a solution without generating unsustainable collective or individual issues.

Furthermore, where required by local rules, salary policies are communicated to the labour unions and subject to specific agreements with those most representative.

As a further proof of the proper functioning of this approach, in the past few years the Group has not faced any incidents of social unrest or unilateral actions, such as strikes or interruption of overtime, with the exception of actions related to national-level conflict such as joining general strikes.

The Group recognizes the labor union as a stable interlocutor, and has never carried out actions to limit worker's representation within the individual companies, always choosing to discuss specific issues with local labor unions and more wide-ranging issues with main national labor unions.

The Group has an open, nondiscriminatory approach towards labor unions, which is aligned to the expectations of its employees.

4.3 Human rights and equal opportunities

Human resource management – from the selection process to the hiring phase – is based upon principles of nondiscrimination and equal rights. In this regard, the Group works to guarantee the same professional growth and knowledge development opportunities for its entire workforce, without any type of discrimination.

Particular focus is dedicated to management of diversity, in terms of gender equality and disability – the two fields with the highest risk of discrimination. The Group views the concept of diversity in terms of giving value to the differences between individuals, and every employee's contribution to creating an environment in which people's identities are respected.

The Group invites all its employees to adopt this philosophy, in accordance with the principles included in the Code of Ethics.

To this end, the Group has issued two specific policies in 2018:

- Work and human rights
- Equal rights and diversity

Work and human rights

This policy is based upon the fundamental principles included in the Universal Declaration of Human Rights issued by the United Nations (UN), the Declaration of Fundamental Principles and Rights at Work by the International Labour Organization (ILO), the Convention on the Rights of the Child by the United Nations, and the European Convention on Human Rights.

On the basis of these principles, the Group's fundamental commitments are outlined hereunder.

- Forced labor and traffic of human beings
Any form of forced labor or human trafficking is forbidden.
- Child labor
Child labor is forbidden, along with hiring of people younger than the work age established by law in the place where the work itself is performed, and in any case no younger than 15 years old, unless international agreements or the local legislation include a specific exception on the matter. Moreover, a commitment is made to not make or pursue work agreements with suppliers that make use of child labor.
- Healthy and safe workplace
Maintenance of healthy and safe work environments that respect all the laws, regulations, and internal rules concerning health and safety.
Maintenance of excellent working conditions in the industrial context, applying the principles of hygiene, industrial ergonomics, and individual organizational and operational processes. Promotion of an accident prevention culture and risk awareness among the employees; such a culture shall be promoted actively, and in particular by means of specific training courses and suitable information.
- Freedom of assembly and right to collective bargaining agreements
Respect for the freedom of assembly and right to collective bargaining agreements, in compliance with local legislation. The employees are free to join a labor union and negotiate their requests. Commitment to cooperate with the organizations representing the workforce and to maintain significant and constructive relationships with local and national labor unions.
- Working hours, wages, and indemnity

Implementation of competitive wage policies aligned to the industry and the local job market. Compliance with current legislation governing wages, working hours, overtime, and indemnity or – in the absence of specific legislation – compliance with the international laws on labor.

▪ Safety at the workplace

Maintenance of work environments in which violence, harassment, intimidation, or other dangerous or destructive conditions due to internal or external threats are unacceptable. Any type of harassment or harassing behavior – such as that related to ethnic origin, gender, or personal characteristics – with the purpose or effect to violate the dignity of the purpose suffering the harassment or abusive behavior is considered unacceptable.

▪ Commitments towards the surrounding environment, the community, and the parties affected

Commitment to always maintain an open dialogue with the people and entities affected by our activity in terms of human rights or labor rights, where applicable, in the scope of establishing a greater in-house attention to the local issues in order to resolve them more easily.

Equal rights and diversity

This policy is based upon one of the fundamental rights contained in the Universal Declaration of Human Rights issued by the United Nations, as well as the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW) also by the United Nations, Directive 2000/43/CE by the European Commission, and the EU Charter of Fundamental Rights.

On the basis of such principles, the Group rejects any form of discrimination at the workplace by adopting the following practical actions:

- integration of the principle of equal treatment in the processes defining every phase of professional life and the value of human resources, so that decisions related to hiring, training, and career advancement are made strictly on the basis of ability, experience, and professional potential of individuals;
- awareness-raising and training of the entire workforce on the value of diversity and the ways of managing it, by means of training courses designed to spread a culture of respect for individuals;
- identification and availability for the personnel to use in-house tools guaranteeing the safeguarding of equal treatment;
- elimination of the causes and/or malfunctions in the work organization that may, even involuntarily, cause discrimination;

- disapproval of the regular, iterative, and intentional use of persecutory or oppressive practices, moral or psychological abuse carried out with the purpose of causing pain or with discriminatory motivations;
- adoption of tools to record perception of the discrimination phenomenon, also through the use of questionnaires;
- setup of a procedure for formal or informal reporting of cases of discrimination or harassment;
- guarantee of the right to privacy for both the victims of discrimination/harassment and those who may have caused them;
- activation of a system to monitor the efficiency of the Policy, applying all the necessary changes.

4.4 Personnel training

The development and growth of professional and management skills of employees is fundamental to guarantee the quality and absolute safety of all corporate processes.

For this purpose, the Group has offered about 480,000 hours of training in 2018.

<u>GRI Disclosure 404-1</u> <u>Hours of training offered (n° of hours)</u>	2016			2017			2018		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Directors	839	116	955	1,038	111	1,148	1,077	268	1,345
Employees	25,752	7,317	33,069	26,233	6,793	33,026	54,295	14,577	68,872
Manual workers	69,917	13,874	83,791	78,935	17,255	96,190	298,604	109,185	407,789
Total	96,508	21,307	117,816	106,205	24,158	130,364	353,976	124,030	478,006

<u>GRI Disclosure 404-1</u> <u>Average hours of training by category (n° of hours)</u>	2016			2017			2018		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Directors	6	6	6	8	4	7	9	12	9
Employees	24	22	24	24	19	23	45	34	42
Manual workers	14	22	14	15	27	16	56	184	69
Total	15	21	16	16	24	17	53	120	62

The type of training offered was mainly in the technical-professional, HSE, and management skills fields.

Type of training offered (n° of hours)	2016			2017			2018		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Technical-professional skills	52,366	11,396	63,762	59,058	13,920	72,978	259,105	103,944	363,049
Health, Safety and Environment	26,978	4,332	31,310	26,303	4,770	31,074	37,696	4,150	41,846
Management skills	4,233	629	4,862	7,917	887	8,804	33,428	9,415	42,843
Ethics	-	-	-	-	-	-	4,812	850	5,662
Other types	12,932	4,950	17,882	12,928	4,580	17,509	18,935	5,671	24,606
Total	96,508	21,307	117,816	106,205	24,158	130,364	353,976	124,030	478,006

Technical-professional skills

Technical training related to the process/product: this involves innovation and the adaptation of the employees' professional skillset to the new developments of the automotive market, with a special focus on emerging technologies. The subjects are not strictly correlated to the current business, but are also directed towards exploring new directions in terms of processes, products, and materials. This training type has a three-level structure:

- Presentation to new employees, through internal and external training sessions with the aim of extensively introducing the new employees to the corporate process model. This includes training on technical and procedural issues, as well as manufacturing processes and the final product.
- For employees who already have an advanced technical skillset, the Group offers a professional update on innovative technologies in the field of manufacturing tools and systems. The training is aimed at enriching the knowledge of employees with an existing level of seniority.
- Director level: training sessions are customized to cater for the requirements of the individuals, conditional to corporate strategy. It is therefore a highly specialized training to enhance professional know-how.

Technical-professional training has grown significantly in 2018 compared to the previous year, and in particular in South Africa due to the production launch of a new important project.

Health, Safety and Environment

The Group promotes continuous and regular training in the field of health, safety and environment, to all its employees, through a series of different initiatives (in-class lessons, workgroups in production area, “safety days”).

We should highlight that Italian facilities benefit from the presence of trainees with graduate or post-graduate degrees in HSE-related fields. The trainees are for the most part hired by the Group, or in any case are placed in the condition to enter the job world with an important experience on their résumé.

Management skills

This training type is normally offered to individuals with a high seniority, as part of career development, allowing the completion of their profile as managers in terms of resource management, leadership, and knowledge of target markets.

Ethics

For the first time ever, in 2018 the company offered training sessions pertaining to ethical values, in Poland and Italy in particular.

Other training types

The corporate training offer is completed by specific courses in other relevant areas, and most of all by language courses.

TOK ACADEMY project

The TOK (Transfer Of Knowledge) Academy in Chivasso (Turin) was inaugurated in September 2018. It is a professional training institution for students having earned a vocational school diploma and for internal personnel.

The academy offers a three-year training course: at the moment, the project is involving 8 students qualified in mechatronics, and is focused on the in-house development of skills that are not easily acquired in the work context.

5. Environment

The production carried out at the Group facilities includes a wide range of metal manufacturing processes. In particular, the main metal manufacturing processes and technologies currently used are:

- 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
- Cold re-rolling of steel
- Steel annealing in furnaces and through heat treatment

Such processes require – to different extents – the use of factors of production as well as natural and energy resources, thus causing environmental impact.

The Group is confident that the creation of value – supported by means of profitable and socially responsible growth – must take into account environmental protection as a key factor in the execution of its corporate activities. Environmental integrity and safeguarding of all those who offer their services to Group facilities are inescapable values to be adopted by corporate management and all of its employees in carrying out each of their duties and depending on their skillset.

In accordance with the pursuit of such values and goals, the Group carries out its activities in full compliance with current legislation and standards, and – moreover – commits to promote continuous improvement and prevention initiatives to its manufacturing processes.

This includes the development and implementation of methods based – now more than ever – on the fundamental principles of maximum reduction of environmental impact and optimization of resources.

In this scope, the activities performed by the Group – centrally coordinated by specific entities (HSE entities) and managed locally by the Environmental Managers at each production plant – are focused on:

- guaranteeing compliance with environmental legislation and the most modern international standards for environmental protection;
- defining and implementing action and control plans inspired by environmental protection philosophies;

- constantly improving corporate performance by constantly monitoring the environmental aspects and impact of the production activity;
- providing corporate management with an efficient and effective management system that may allow a permanent identification and management of emerging issues and an orderly information flow suitably supporting decision-making and executive responsibilities;
- increasing the involvement, motivation, and awareness of workers and third-party companies working at CLN facilities;
- reducing environmental impact by means of technical operations, reduced consumption, compensation actions, waste reduction and increase in recycling, and prevention of eventual environmental contamination;
- improving its internal and external image, thus having a greater reliability with regards to clients, suppliers, and supervision entities/authorities.

Environmental Policy

The Group has issued a specific “Environment” policy based upon the following fundamental principles.

- Environmental protection, as well as safeguarding of individual and collective health, are the top priorities in all Group actions.
- The CLN Group plans to minimize the impact of its actions on the environment.
- The processes, products, plants, materials, and suppliers are defined, created, and maintained in accordance with the principles of environmental protection by all the involved parties.
- The Group Code of Ethics, current legislations, and good manufacturing practices are the guidelines adopted to guarantee environmental protection.
- The Group has the duty to operate with complete environmental safety, guaranteeing that every procedure is well understood and respected.
- Along with investments in technology and services, training on environmental topics – concerning human factors – is a fundamental element to develop consciousness of all the parties affected and guarantee their involvement
- The efficient use of natural resources such as energy and water as well as raw materials is fundamental to the Group’s environmental approach.

Continuous monitoring of environmental indicators, and the definition of challenging goals allows an assessment of Group performance, and to identify eventual actions for improvement. In 2018 a Group project for the standardization and agreement between the definitions and method of documenting environmental indicators has been developed. This

led to the creation of a single data collection platform that allows continuous and standardized reporting. Moreover, the project has led to the identification of a new and common environmental data comparison method, based upon the so-called “standard hours”, essentially defined as production hours against which to compare all absolute environmental indicators.

As a further proof of the Group commitment in this direction, it is specified that all the Group facilities are required to monitor the achievement of annual improvement targets for the main indicators related to energy consumption, water use, and waste generation.

Finally, it is highlighted that two additional, specific policies related to “Water” and “Accidental pollution” have been issued in 2018.

Water

This policy reiterates, among other factors, the Group’s commitment to:

- perform preventive maintenance operations so as to avoid any form of water wasting;
- support water conservation initiatives jointly with the local authorities and communities;
- perform regular assessments of the water supply with the suppliers themselves, local authorities, and other organizations (i.e. the World Resources Institute);
- strictly comply with all standards related to quality, consumption, and treatment of water;
- closely monitor the wastewater produced by the working activity that may affect the quality of the water table.

Accidental pollution

This policy reiterates, among other factors, the Group’s commitment to:

- strictly comply with all standards related to accidental pollution episodes;
- only work with authorized waste management companies equipped with the necessary authorizations;
- perform regular maintenance and monitoring of the systems to avoid leakage of oils and/or other pollutants;
- purchase suitable insurance coverage for eventual damage due to accidental pollution episodes.

5.1 Energy efficiency

In 2018, the Group's energy consumption was about 1.6 million GJ, mainly in the form of electrical energy (62%).

<u>GRI Disclosure 302-1</u> <u>(GJ)</u>	2016	2017	2018
Electrical energy consumption	871,706	909,753	927,129
Fuel consumption	582,016	630,302	646,540
Total energy consumption	1,453,723	1,540,055	1,573,669

The consumption of electricity concerns both the production plants and their administrative offices; the fuel consumption is from the production of heat for heating of the buildings and for the production processes, in particular painting.

For the Group's Headquarters, located in Rivoli (TO) Italy, the total energy consumption for 2018 was 1,334 GJ of electricity and 3,290 GJ of fuel; total energy consumption for 2017 was 1,310 GJ of electricity and 2,815 GJ of fuel. These values are related to the consumption of the administrative offices of C.L.N. S.p.A., MW Italia S.r.l. and MA S.r.l.

It is worth highlighting that the 2018 calculation includes the ITLA BONAITI plant in Civate purchased in late December 2017. Group consumption excluding such plant (thus with the same scope of consolidation) was 918,897 GJ in electrical energy consumption and 629,302 GJ in fuel consumption, thus a total of 1,548,199 GJ.

Total energy consumption has increased by about 2% compared to 2017, in line with a growth in fiscal year result and production output, which the Group calculates both in terms of total hours worked and in terms of standard hours of production.

Consequently, the energy intensity ratio has fallen by about 3% compared to the previous year, considering both the hours worked and the standard hours of production.

<u>GRI Disclosure 302-3 (GJ/h)</u>	2016	2017	2018
Energy Intensity (Total energy consumption/n° hours worked x 1000)	99.29	93.55	91.16
	2016	2017	2018
Energy Intensity (Total energy consumption/n° standard working hours x 1000)	285.25	236.14	229.24

This improvement in Energy Intensity has been obtained by means of specific plans of action and energy reduction activities such as the installation of LED lighting, industrial plant energy optimization, and continuous personnel awareness-raising. In particular – with the support of an innovative start-up company – we have performed consumption reduction operations by means of optimization of processes, which require the use of compressed air.

The Group is aware that environmental protection must be – above all – pursued through the optimization of energy use, and this can also be achieved through little everyday actions carried out at the production facilities and offices. The Group has organized communication campaigns to promote a number of “Top Tips” to raise environmental awareness among employees, and to reduce environmental impact by means of simple but effective behavioral rules including conscious use of air conditioning/heating systems as well as efficient lighting.

5.2 Emissions management

Greenhouse gas emissions are the main cause of climate change and global warming. The Group has committed to limit the emissions output of its production and heat generation plants, and to launch related initiatives that may contribute to the European Union’s commitment (Paris Agreement) to maintain global temperature rise at a temperature 2°C (35.6°F) below pre-industrial levels.

In 2018 direct and indirect greenhouse gas emissions recorded amounted to 35,161 metric tons of carbon dioxide equivalent, growing by about 3.5% compared to 2017, in line with the growing production output and fiscal year results recorded.

<u>GRI Disclosure 305-1 (SCOPE 1 - tCO₂e)</u>	2016	2017	2018
Direct CO ₂ emissions (metric tons of CO ₂ equivalent)	20,127	22,840	23,824
<u>GRI Disclosure 305-2 (SCOPE 2 - tCO₂e)</u>	2016	2017	2018
Indirect CO ₂ emissions (metric tons of CO ₂ equivalent)	11,421	11,119	11,337
<u>SCOPE 1+2 (tCO₂e)</u>	2016	2017	2018
Total direct and indirect emissions	31,548	33,959	35,161

The data shown in the table above relating to previous years have been updated to ensure consistency with the improvement of the calculation methodology.

The sources used for the conversion of energy data and for the calculation of emissions are the following: "GRI 2011, Guidelines for sustainability reporting, version 3.1" and "WRI 2015, GHG protocol tool for stationary combustion, version 4.7".

The relationship between CO₂ emissions and standard working hours is 5.12 metric tons×1000/h, as opposed to a value of 5.21 metric tons×1000/h recorded in 2017, thus with a reduction by about 2% to prove the Group's effort and results achieved in limiting environmental impact causing climate change.

Moreover, the Group promotes the use of compensation measures for its greenhouse gas emissions. In particular, it promotes the creation of green spaces (trees, orchards, grass, and flowers) to increase carbon capture and sequestration, as well as contributing to an increase in biodiversity in the areas close to the production facilities and reducing the environmental impact of the latter. At the end of 2018, green spaces at the Group sites added up to a 200,000 m² (2,152,782 ft²) total surface area. The creation of 31 new green spaces – of an 8000-m² (86,111 ft²) total surface area – is planned in 2019.

5.3 Scrap and waste management

Steel, which is by far the raw material most utilized by the Group, is the most recyclable (100%) and recycled material in the world, due to the fact that it is one of only few materials that does not lose its properties once it is recycled. Moreover, with its resistance and versatility steel lends itself to countless strategic sectors, including:

- Transportation: trains, watercraft, cars, bicycles, etc.
- Energy: load-bearing elements of wind power plants and electrical power transmission lines (trellises)
- Construction: concrete reinforcement and other components

Steel is indeed the main scrap material in manufacturing processes carried out at the Group plants. During 2018, the Group has re-sold about 400,000 metric tons of metals (steel and, to a lesser extent, aluminum) destined for recycling.

The Group's manufacturing processes therefore do not generate a significant quantity of non-hazardous waste in that the scrap material includes almost exclusively metal that is resold for recycling.

The Group produces a minimal quantity of waste classifiable as hazardous (mainly waste oil and paint) in accordance with current local legislation. Such waste amounted, in 2018, 4322 metric tons – 826 (23%) more than the previous year.

<u>Metal scrap and hazardous waste (metric tons)</u>	2016	2017	2018
Metal scrap re-sold for recycling	351,688	378,469	402,897
Hazardous waste	2,940	3,496	4,290

In 2018 the company focused even more on topics related to reduction in waste production and the increase of recycling by means of specific projects and sharing of activities targeted towards improving the related performances.

5.4 Water management

Metal manufacturing and painting sites require the use of water in the cooling process, as well as water used for strictly civil purposes. An uncontrolled use of water causes negative

environmental impacts, such as the reduction in water resources and the modification of natural ecosystems. Water is one of the most contended resources in the industrial, agricultural, and civil contexts. The optimization of water use by factories is important, as it may reduce their general impact on the environment, including alteration of water sources; this may have a positive impact on operating costs as well.

In 2018 the Group has used 591,000 m³ (over 20 million ft³) of water, with a 13% reduction compared to the previous year.

<u>Water consumption (Disclosure 303-1) (m³)</u>	2016	2017	2018
Water used	697,034	680,052	589,912

This reduction, achieved in spite of the increase in production output, is the result of the constant consumption optimization process undertaken by the Group, including – in particular – an improvement of the production processes and reduction in leakage. An example of the Group’s effort is the “Water efficiency project” launched by the MA Division to encourage production plants to engage in substantial water efficiency actions. The main elements of the project are the following:

- Constant measurement of the quantity of water used, wastewater, and percentage of recycled water.
- Awareness campaigns and workshops for employees, in order to stimulate responsible behavior and water conservation.
- Development of a process for the measurement of running water consumption for each plant.
- Reduction of water for cleaning to a bare minimum (use of condensed water from compressors or rainwater) and reuse of process water through the installation of water recycling systems.
- Change in equipment: implementation of water-saving technology.

In 2018, CLN’s activity in in Water Stressed Areas was monitored using the Aqueduct Water Risk Atlas tool. Results highlighted a high risk for the site operating in the Port Elizabeth area (South Africa). The site thus underwent actions targeted towards: regularly monitoring the risk and actively participating in the Water Task Team of the Nelson Mandela Bay Business Chamber; increasing employee awareness on the risks related to water resources; considering technical operations to optimize water cycles and introduce multiple uses (reuse) of water.

5.5 Environmental certification

Finally, it is reported that 76% of the Group facilities has earned an ISO 14001:2015 certification, with the aim to reach 85% by 2020. The transition to the new 2015 update has been fully completed. The efficiency of the management system is guaranteed by regular internal and external audits, with the aim to identify more and more opportunities to improve and highlight eventual criticalities.

6. Products, customers, and supply chain

6.1 Product quality and Customer Satisfaction

Employees in the Group always work whilst bearing in mind that the constant pursuit of product excellence and quality is the key factor required to be recognized as a global market leader in steel and aluminum processing.

In order to achieve excellence, the crucial activities to be carried out on a daily basis are:

- To improve industrial processes as much as possible so as to make them fully reliable from the very beginning of newly commissioned projects
- To constantly develop human resource skills through training
- To follow standard maintenance cycles
- To closely monitor supplier quality
- To make personnel aware of customer expectations and their key role in guaranteeing that they are met

Employees are thus frequently encouraged to follow the motto “Quality, passion for details”.

Product quality is measured mainly through customer satisfaction. In a sector distinguished by an incredibly high level of competition, customer satisfaction manifests itself – first of all – through the renewal of existing orders once the products have reached their end-of-life, and through new, incoming orders. The Group’s constant and consistent growth in the past few years is of course a crucial proof of this (330 million euro turnover growth in the past 3 years – CAGR 7.7%).

Secondly, customer satisfaction is proven by tangible forms of recognition awarded to the Group and its divisions over the years.

Awards and recognitions won in the past 5 years

	<u>MA Division</u>	<u>MW Division</u>
2014	<ul style="list-style-type: none"> MA Argentina receives an award by GM in recognition of quality, costs, technology, and service 	
2015	<ul style="list-style-type: none"> MA receives the “Metallic Supplier Award of the Year” from FCA at the 2015 Quality Supplier Convention 	<ul style="list-style-type: none"> MW South Africa receives the “Certificate of Appreciation” award from Toyota
2016	<ul style="list-style-type: none"> MA receives the “2016 Supplier Award” from PSA MA South Africa receives the “Supplier Award” from Toyota for the year 2015 	<ul style="list-style-type: none"> MW South Africa receives the “Special Award” from Toyota
2017	<ul style="list-style-type: none"> MA receives the “Raw Material Supplier Award” from FCA MA Polska is awarded by FCA on the occasion of the “Su.Per” awards ceremony 	<ul style="list-style-type: none"> MW Russia receives the “Q1 Preferred Quality Status” recognition from Ford
2018	<ul style="list-style-type: none"> The division is awarded at the Supplier Performance Awards Ceremony by FCA 	<ul style="list-style-type: none"> The division is awarded at the Supplier Performance Awards Ceremony by FCA

6.2 Supply chain

Suppliers play a fundamental role in the pursuit of high quality and the competitiveness of the Group’s products.

The main purchase/supplier types were:

- Raw material
- Direct goods and services for production purposes
- Investments in plants and machinery
- Tooling/dies sold to customers

Purchases of raw materials (steel and aluminum in particular) are carried out through a limited number of suppliers, large multinational manufacturers, or directly from the end customer – following the “resale” mechanism.

Direct goods and services for production purposes – related directly to the production cycle – mainly include semi-finished goods, transportation, energy, maintenance, and other services for staff and cleaning. There is a vast supplier pool, and suppliers are mainly located in the

nations in which the Group operates, given the demand to provide prompt assistance to the production activities.

The total sum of purchases related to the two categories in 2018 was about 1,367 million euros.

<u>GRI Disclosure 102-9</u>						
<u>Value of raw materials and direct goods and services purchased by geographic area (€/Mln)</u>	2016	%	2017	%	2018	%
Europe	634	58.0%	800	60.7%	819	59.9%
South Africa	167	15.3%	198	15.0%	241	17.6%
Rest of the World	7	0.6%	14	1.1%	8	0.6%
Total raw materials (a)	807	73.8%	1,012	76.8%	1,068	78.1%
Europe	261	23.9%	284	21.5%	285	20.8%
South Africa	11	1.0%	11	0.8%	12	0.9%
Rest of the World	15	1.4%	11	0.8%	2	0.1%
(b) Total direct goods and services for production purposes	287	26.2%	307	23.3%	299	21.9%
Total (a+b)	1,094	100.0%	1,318	100.0%	1,367	100.0%

Purchases related to investments, plants and machinery, and tooling/dies sold to customers represent a spot form of purchase carried out with multinational players that may be located anywhere in the world. Investments in systems and machinery amounted to about 139 million euros in 2018.

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

Nevertheless, social and environmental aspects – with a consequent positive impact on the local economy – are increasingly considered in the assessment of suppliers.

To this end, in 2018 the Group has launched a project that entails the obtainment of written confirmations by its suppliers concerning:

- compliance with local legislation
- implementation of a suitable governance dedicated to CSR
- commitment to promoting the above to its supplier pool

At the end of December 2018, 389 written confirmations were obtained, subdivided as follows:

- Raw material suppliers: 21
- Suppliers of direct goods and services for production: 209
- Suppliers of plants and machinery: 26
- Suppliers of Tooling/dies: 82
- Suppliers of indirect goods and services: 51

7. Social aspects and relationship with the local context

The Group has a strong sense of responsibility and commitment towards the local context, made up of the economic, social, and cultural activities of civil society and the formal institutions present in the areas in which the Group companies operate: this is why the Group has always put effort in supporting social, health, and cultural/natural heritage initiatives, just as it has always monitored the presence of new start-up companies, born in university institutions and aligned to the Group in terms of core values.

7.1 Social initiatives

The Group makes – through the parent company – donations and contributions to organizations operating in Italy in the fields of social welfare, medical research, and the safeguard of cultural/natural heritage.

Safeguard of cultural and natural heritage

- **FAI:** a not-for-profit foundation with the aim of protecting and promoting Italian historic, artistic, and natural heritage. In 2018 CLN has confirmed its subscription to the FAI Corporate Golden Donor support and membership program, directed at companies that share a tangible interest in Italian art, culture, and landscape
- **Consulta per la Valorizzazione dei Beni Artistici e Culturali di Torino** (board for the promotion of cultural/artistic heritage of Turin): CLN is a member of the board, which has the purpose of promoting and improving accessibility to Turin's historical and artistic heritage. CLN is actively involved by participating in the organization's governing bodies and commissions and through its annual contribution. Along with the other 32 member companies, it has helped Consulta invest over 30 million euros since its establishment in 1987, and carry out 90 restoration and promotion initiatives.

Social welfare sector

- **Gruppo Abele:** CLN supports Gruppo Abele – an organization founded in Turin in 1965 by Father Luigi Ciotti to assist those in need of help to regain a place in society – through the Certosa 1515 charterhouse. Certosa 1515 in Avigliana (Turin) is an

accommodation structure and a training center open to all. It is a place designed for the promotion of culture and where people may reflect, study, and share views, whilst preventing and opposing social exclusion.

- **E4Impact:** a foundation established in 2010 at the ALTIS (specialized business and social sciences school) of the Università Cattolica del Sacro Cuore (Milan), with the purpose of fostering sustainable development in emerging economies by supporting training of entrepreneurs in high social- and environmental-impact businesses and the creation of a start-up company with the related business growth. Starting with an MBA in Kenya in 2010, E4Impact is now present in Ghana, Sierra Leone, Uganda, Ivory Coast, Senegal, Ethiopia, and Sudan, where it has trained over 700 entrepreneurs. In 2019 the program will expand to Rwanda and Zimbabwe.

Furthermore, in 2018 the CLN Group has begun to also support the following social welfare projects:

- **Pacefuturo ONLUS:** born officially in 2004, it has managed Villa Piazzo in Pettinengo (Biella) since 2006 and operates in the cultural and peace sectors by means of: meetings, exhibitions, and events; hospitality and solidarity by means of practical generative welfare projects for international asylum seekers, employees, and homeless people; promotion and economics applied to the rediscovery and recovery of local handicraft, artistic heritage, and natural heritage.
- **Caritas Diocesana** - Diocese of Turin: has the function of promoting charity and welfare initiatives across the diocese – by means of direct action or through the connection with volunteering organizations – in favor of people or communities in situations of hardship.

Healthcare sector

- **Fondazione Piemontese per la Ricerca sul Cancro ONLUS** (Piedmontese foundation for cancer research): established to provide substantial support to fight cancer by means of the creation of a Piedmont oncology network, combining scientific research and clinical practice, and offering oncology patients the best human and technological resources available today. CLN's donations have contributed to funding new equipment and maintaining the Istituto di Candiolo - IRCCS (scientific care and recovery center), a diagnostic, medical, and surgery center distinguished by the wide range of therapies carried out and the ability to foster relationships with the greatest national and international research institutes. It is recognized for the treatment of numerous tumors and as one of the most popular health facilities in Italy in terms of patients treated to cure nipple tumor and breast sarcoma.

- **Fondazione Italiana per la lotta al Neuroblastoma ONLUS:** an Italian organization established to fight neuroblastoma (a severe pediatric tumor that affects 130 children in Italy every year) and solid pediatric tumors through innovative research projects aimed towards finding new and effective personalized therapies and cures. In particular, CLN's donations have contributed – also through its subscription to campaigns such as “Cerco un Uovo Amico” (I’m looking for an egg friend) – to fund research projects and labs. Over the past few years, the foundation has made a 20-million euro contribution to scientific research – 14 million euros to researchers – and 8 Italian centers of excellence

Additionally, CLN and its Italian and foreign branches contribute to fund the **Fondazione Mario and Anna Magnetto**, an ideal reflection of the social commitment of the Group's founder and his family towards local entities.

The foundation, established in 2004, directly and indirectly supports projects in the following fields, which have always met the interests of the Group and its founders:

- Health | Support and research, prevention and assistance in the field of cardiovascular and neurological diseases by means of research grants and scholarships, promotion of related activities, organization of conferences and seminars.
- Children | Support of pediatric activities and assistance to children living in situations of hardship or who are disabled.
- Work and entrepreneurship | support and promotion of local businesses, also by means of encouraging research and technological/industrial training in cooperation with specialized entities and institutions.
- Local context | Preservation and restoration of artistic and architectural heritage; promotion of the environment and local context, in particular the Susa Valley.
- Culture | Support and promotion of cultural initiatives in the local context.

www.fondazionemagnetto.org

In addition to the above donations at the national level, there are likewise various fundraising activities promoted by the Group's **foreign branches** and involving their own local contexts, with special regard to the social sphere.

- **Romania:** MW Romania regularly supports Fondazione Procarione, a foundation branching from Fondazione Magnetto that, among other initiatives, contributes to supporting the Drăgășani hospital (where the MW plant is located), provides help to the needy, supports school activities, and offers scholarships for high school students.

- **Poland:** In 2018, MA Polska has supported the following entities:
 - Dom Dziecka w Sieborowicach, a foster home in Sieborowice, by means of gifts to the children and funding of construction and building renovation work.
 - Społeczne Stowarzyszenie Hospicjum in Tychy, an organization providing assistance to terminal oncology patients and their family members, as well as organizing different promotional and educational activities in the city of Tychy (hosting an MA plant);
 - Unia Oświęcim local hockey club, for the purchase of youth equipment.

Moreover, ZWM SHL has made donations to the Kielce History Museum on the occasion of the company's 100th anniversary, and has contributed to creating new green spaces in the city center of Kielce (hosting an MA plant).

- **Germany:** MA Automotive Deutschland supports, by means of donations, educational and sports activity in certain early childhood schools attended by the sons of the employees living in the area where the facility is located.
- **South Africa:** MA Automotive South Africa supports a wide range of social development projects, including numerous initiatives related to the field of education. In particular:
 - support of a foster home for abused children;
 - awarding of scholarships for outstanding students in the local community;
 - support of homeless shelter in Pretoria;
 - subscription to CEO SleepOut™, an initiative in which those involved lived the experience of a night as a homeless person, with the aim to raise funds destined to charity organizations.

7.2 Cooperation with Universities

For a number of years now, the Group, with its special attention to all that which concerns open innovation activities, has continued to cooperate in several specialized cooperation projects with universities and private research centers. The Group is involved in projects related to research and technological innovation in the main areas of operation of the Group's companies, as well as research projects related to sustainable transport and activities supporting – in terms of both funding and technology – start-ups born from university research projects.

Investments in such fields are included in a strategic development plan that involves, in particular, the electric vehicle and future transportation sectors. The Group is aware of the fact it needs to position itself at the center of global changes and trends, and at the same time

to more confidently define its corporate strategy and technological orientation within its current business sector, in order to identify new growth opportunities.

Some of the Group's notable co-operations are with the following:

- **I3P Incubatore Imprese Innovative** - Politecnico di Torino (innovative enterprise incubator of the Turin Polytechnic): funding and technical cooperation in research projects and innovative enterprise ideas (Italian start-up companies).
- **Turin Polytechnic**: research and development projects with undergraduate and PhD students, also through the awarding of scholarships.
- **I-FEVS**: projects funded by the European Community in the context of calls for proposals related to sustainable transport.
- **BeonD**: a business reality – which CLN owns 10% of – established within the Department of Mechanical and Aerospace Engineering at the Turin Polytechnic, that has developed an innovative light electric vehicle platform prototype and, on the basis of such skills, offers engineering services for the implementation of structural composite materials and transmission systems for electric vehicles (batteries and Electronic Control Units).
- **Fondazione Agnelli – CDILabs**: foundation for the identification of international innovative start-up companies. Assessment of investment opportunities or launch of technical collaborations for the implementation of products or services (i.e. a pilot project for technology transfer) provided by such start-up companies in the Group manufacturing facilities.

May 9th, 2019

The Board of Directors

The Chairman

Aurora Magnetto

8. APPENDIX

GRI STANDARD	Disclosure	Chapter	Omissions/Notes concerning the coverage of GRI Disclosure
TOPIC OF ITALIAN LEGISLATIVE DECREE N° 254/16: IDENTITY OF THE ORGANIZATION			
GRI 102: GENERAL DISCLOSURE	102-1 Name of the organization	1. Introduction	
	102-2 Activities, Brands, Products and Services	1. Introduction	
	102-4 Locations of headquarters	4. People	
	102-16 Values, principles, standards, and norms of behavior	3. Values	
	102-18 Governance structure	1. Introduction	
TOPIC OF ITALIAN LEGISLATIVE DECREE N° 254/16: FIGHT AGAINST ACTIVE AND PASSIVE CORRUPTION			
GRI 205: ANTI-CORRUPTION	205-3 Communication and training about anti-corruption policies and procedures	3. Values	
TOPIC OF ITALIAN LEGISLATIVE DECREE N° 254/16: ENVIRONMENTAL ASPECTS			
GRI 302: ENERGY	302-1 Energy consumption within the organization	5. Environment	
	302-3 Energy intensity	5. Environment	
GRI 303: WATER	303-1 Water withdrawal by source	5. Environment	The distribution of consumption by type of withdrawal is not available
GRI 305: EMISSIONS	305-1 Direct (Scope 1) GHG emissions	5. Environment	
	305-2 Indirect (Scope 2) GHG emissions	5. Environment	
TOPIC OF ITALIAN LEGISLATIVE DECREE N° 254/16: PERSONNEL MANAGEMENT			
GRI 102: GENERAL DISCLOSURE	102-8 Information on employees and other workers	4. People	No available details of the number of employees with permanent / temporary contracts by region
	102-41 Collective bargaining agreements	4. People	
GRI 401: EMPLOYMENT	401-1 New employee hires and employee turnover	4. People	The data is only available by genre.
GRI 404: TRAINING AND EDUCATION	404-1 Average hours of training per year per employee by gender, and by classification	4. People	
GRI 405: DIVERSITY AND EQUAL OPPORTUNITY	405-1 Diversity of governance bodies and employees	4. People	
TOPIC OF ITALIAN LEGISLATIVE DECREE N° 254/16: HEALTH & SAFETY			
GRI 403: OCCUPATIONAL HEALTH AND SAFETY	403-2 Hazard identification, risk assessment, and incident investigation	4. People	The frequency rate and the gravity rate are reported, while the absenteeism rate is not available.
TOPIC OF ITALIAN LEGISLATIVE DECREE N° 254/16: HUMAN RIGHTS			

GRI 103: MANAGEMENT APPROACH	103-1 Explanation of the material topic and its boundary	4. People	
TOPIC OF ITALIAN LEGISLATIVE DECREE N° 254/16: SOCIAL ASPECTS			
GRI 419 SOCIOECONOMIC COMPLIANCE	419-1 Non-compliance with laws and regulations in the social and economic area	3. Values	
TOPIC OF ITALIAN LEGISLATIVE DECREE N° 254/16: SUPPLY CHAIN AND SUB-CONTRACTING CHAIN			
GRI 102: GENERAL DISCLOSURE	102-9 Supply chain	6. Products, customers and supply chain	
TOPIC OF ITALIAN LEGISLATIVE DECREE N° 254/16: REPORTING METHODOLOGY			
GRI 102: GENERAL DISCLOSURE	102-50 Reporting period	1. Introduction	
	102-52 Reporting cycle	1. Introduction	
	102-40 List of stakeholder groups	2. Materiality	
	102-46 Defining report content and topic Boundaries	2. Materiality	
	102-47 List of material topics	2. Materiality	
	102- 55 GRI content index	8. Appendix	
	102-56 External assurance	Report of the independent auditors	Consolidated Disclosures of Non-Financial Information were verified by the independent auditing company. The Disclosures have been submitted to the approval of the Board of Directors on 09/05/2019.

**CONSOLIDATED DISCLOSURES OF NON-
FINANCIAL INFORMATION**

2018

1. Introduction

1.1 Methodological aspects

The CLN Group (hereinafter also referred to as the Group) falls under Legislative Decree n° 254 issued on December 30th, 2016 (hereinafter also referred to as the Decree) – the Italian implementation of European Directive 2014/95/EU, related to the reporting of non-financial information – in that it is a company of public interest and complies with the size and financial requirements prescribed by the decree.

This document is the Group's second-ever Consolidated Disclosures of Non-Financial Information (hereinafter also referred to as NFD), which is an important tool through which the Group may communicate its initiatives regarding environmental/social sustainability as well as health and safety to all its stakeholders, in full transparency. The results achieved are intended to incentivize a constant reduction of environmental impact, and the promotion of activities in the scope of sustainability and social commitment.

The report has been drafted in reference to the Global Reporting Initiative guidelines published in 2016, known as GRI Standards and used as the main tool for sustainability reporting at a national and international level. The approach used to report social and environmental data is the same defined in GRI Standards as “Referenced”. This has allowed the Group to select – upon a careful analysis of those available – the most suitable GRI Standards to provide accurate information concerning its non-financial activities. The “GRI Standards Index” table in the Appendix includes the code, name, and page of reference within this document for each GRI Standard.

A workgroup has been created to draft the document, involving the heads of the various corporate departments in order to obtain a complete and transversal description of all non-financial aspects related to Group activities.

The selected GRI Standards were the result of a preliminary materiality analysis, based upon which the relevant topics within the Group's plan of action and their potential impact on the Group and its stakeholders were identified. In particular, the Group is required to provide information concerning its business models, the policies implemented for management of the above described topics, the main risks connected to such topics, and the most suitable performance indicators to represent the related results. Such information allows an understanding of corporate trends, current status, and the impact of its activities.

The period of reference is 2018, but data concerning 2017 and 2016 shall also be presented for comparative purposes. The document will be published on an annual basis as an integral

part of the Annual Report, and will be subject to audit of the information provided, in compliance with Legislative Decree n° 254/2016.

The scope of analysis includes the subsidiaries fully consolidated in the financial statements of the parent company, with the following exceptions:

- the joint venture MA Automotive Brasil Ltda., included in the analysis of information concerning health and safety at the workplace and environment for the three-year period assessed.

Ultimately, the Group priorities include developing a trust relationship with its stakeholders, its presence and care for the local context, the well-being of its employees, and the integrity and transparency of its operations.

The information provided is confirmed by data of a measurable size and within the corporate documentation; estimates are used as little as possible, and it is always specified when an estimate is used.

1.2 Business Model

Business model

The Group has been operating in the steel sector since 1948.

It is one of the main players on the global stage of processing and assembly of metal components (steel and aluminum) for the automotive industry through its divisions:

MA | automotive metal components division

MW | steel wheels division

It is also active in the European steel supply and cold re-rolling market.

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

CLN Group operates in nine countries worldwide (Italy, France, Germany, Poland, Romania, Slovakia, Russia, South Africa, and Serbia) – considering its subsidiaries only – thanks to the work of over 7,700 employees dedicated to satisfying customer requirements, in full respect of local communities and the environment.

Description of business activity

The two divisions operating in the metal automotive components sector represent the Group's core business.

MA – the Automotive Metal Components division – is one of the main global suppliers of metal parts – stamped or roll-formed components (external and structural), and components for propulsion/powertrain systems – for any type of passenger car and commercial vehicle or truck in the world automobile industry.

MW – the Steel Wheels division – is a market leader in the sector of steel wheel manufacturing for all types of vehicles (passenger cars and light commercial vehicles), supplying clients with complete solutions for engineered wheels, from the design phase to the choice of materials.

Both divisions contribute – thanks to the use of innovative materials and processes – to making vehicles lighter and thus reducing greenhouse gas emissions.

Moreover, the Group operates in the high carbon flat steel processing sector (high carbon steel reels and cold re-rolled alloys) as well as in the supply of flat steel products from service centers.

Steel is a raw material that – due to its characteristics – is the essence of sustainability and circular economy itself, given it is 100% recyclable, and may be recycled an infinite amount of times.

In Italy only, 75.3% of steel packaging on the market was recycled in 2017: this is one of the highest rates recorded among recyclable materials. The steel recovered through recycling is re-melted, polished, and given new life in semi-finished products of a high quality used in a large number of fields (source: RICREA).

In an external and internal scenario of growing awareness on topics related to corporate social responsibility, the CLN Group has launched a conscious process of practical actions, including the commitment to the United Nations Global Compact, intended to translate values such as ethics, integrity, responsibility towards the environment, society as a whole, and humans into initiatives inspired by continuous improvement and prevention in manufacturing processes, based upon the fundamental principles of minimum environmental impact and resource optimization. Moreover, the Group has always committed to and adopted a responsible behavior towards health and safety at the workplace, considered one of the corporate priorities.

Inspired by the motto *Quality, passion for details*, the Group and its employees are constantly committed to provide customers – in a competitive sector – the highest levels of product and

service quality as well as working excellence, pursuing the lowest environmental impact possible. Its customer satisfaction is also concretely proven by means of official recognitions, such as the Supplier Awards assigned to the Group and its subsidiaries by major OEMs (Original Equipment Manufacturers) in the past few years.

In the scope of its Corporate Capital Venture program, the Group's investment plans are targeted towards start-ups with a strong social or environmental spirit.

1.3 Corporate Governance

CLN's corporate governance system is structured in accordance with current standards applicable to the sector.

The main corporate governing bodies of the parent company C.L.N. S.p.A. are the Shareholders, the Board of Directors, the Board of Statutory Auditors, and the Supervisory Board (in accordance with Italian Legislative Decree n° 231).

During the Annual Meeting of Shareholders an electing board of shareholders convenes on corporate decisions. The collective body of shareholders deliberates by way of majority vote in accordance with and 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 among most important tasks carried out at the Meeting of Shareholders.

The CLN Board of Directors also operates through two CEOs and a director with power of representation. The Board carries out – among other functions – the analysis, sharing, and approval of annual budgets as well as strategic, business, and financial plans of the Group and the monitoring thereof.

The Board of Directors includes ten members (three female and seven male) representing all the shareholders. Aurora Magnetto and Gabriele Perris Magnetto share the role as Chief Executive Officers.

The Board of Statutory Auditors monitors compliance with the law and corporate charter, respect of the principles of good management, and in particular the suitability of the organizational, administrative, and accounting structure implemented by the company, as well as the effectiveness thereof. The Board of Statutory Auditors includes 3 permanent members (one female and two male) and 2 substitute auditors (one female, one male), and also plays the role of Committee for Internal Audit and Accounting Revision in accordance with Article 19 of Legislative Decree n° 39/2010.

Members of corporate governing bodies (Disclosure 405-1; Disclosure 102-18)

<u>Board of Directors</u>	2016		2017		2018	
Age	Male	Female	Male	Female	Male	Female
< 50 years	2	1	1	1	1	2
≥ 50 years	7	1	8	1	6	1

<u>Board of Statutory Auditors</u>	2016		2017		2018	
Age	Male	Female	Male	Female	Male	Female
< 50 years	1	2	1	2	1	2
≥ 50 years	2	0	2	0	2	0

The C.L.N. S.p.A. Supervisory Board, nominated by the March 28th 2017 Board of Directors resolution, includes two members (one female and one male), both external to the company. The Supervisory Board monitors implementation and the constant update of Legislative Decree n° 231 within the company. Its powers/activities include: supervision of compliance with the decree; assignment of disciplinary sanctions for breach of its rules; update and promotion of the decree among its addressees.

1.4 Corporate Social Responsibility within the CLN Group

In an external and internal scenario of growing awareness on topics related to corporate social responsibility, the CLN Group has undertaken, in the past few years, a process for the gradual implementation of actions concerning sustainability, and of an organizing structure designed for management thereof.

This process is based upon the following main elements:

- **Governance Structure/Workgroups:** identification of a suitable structure for management of CSR topics.

Starting in the second semester of 2017, CSR projects have been managed by a team working at the Group level and including representatives of the main corporate departments so as to guarantee a common approach and suitable sharing of information.

The workgroup reports to:

- Beatrice Perris Magnetto: supervision on CSR activities and relationship with the Group's Board of Directors
- Adrian Gordon: CSR management for the Group and coordination of all CSR activities

Moreover, the full workgroup includes a Group manager for every one of the following areas:

- Environment
- Labor practices and Human Rights
- Sustainable procurement
- Fair business practices
- Customer interfaces
- Finance
- KPIs/CSR metrics

Each member of the team may be associated to one or more supporting members. Furthermore, the nomination of a CSR manager is expected in 2019, for each of the macro-regions in which the Group operates, and in particular:

- Italy
- France
- Poland
- Germany
- South Africa
- Brazil

- **Non-financial indicators:** identification of a series of indicators related to CSR topics deemed significant at the group level; subsequent implementation of a regular monitoring system for such indicators and establishment of realistic targets for a continuous improvement thereof.

In particular, since 2018 the following indicators are monitored at the Group level on a trimestral basis:

- HR (human resource) Statistics: classification of the personnel by gender, age, job level, and contract type, with a specification of the training hours provided (number and type).
- HSE (health, safety, environment) Indicators: frequency and severity indicators for injuries, energy and water consumption, CO₂ emissions, waste management.

The evolution of such indicators is subjected to the attention and assessment of Group Management and of the Board of Directors member assigned to the supervision of CSR-related topics.

- **Policies and procedures:** setup of policies and procedures related to CSR topics, as well as their promotion within the Group.

For this purpose, the following fundamental policies have been issued or updated over the year 2018:

- Health and safety
- Environment
- Equal rights and diversity
- Work and human rights
- Whistleblowing
- Water
- Accidental pollution

These policies may be consulted and downloaded on the Group website.

- **CSR assessment performed by clients:** management of assessment processes requested by the main clients to the Group, and consequent improvement of ratings.

In particular, the Group undergoes – on an annual basis – assessment performed directly by its customers by means of specific questionnaires (M2P2, NQC, etc.), or indirectly by means of audits conducted by third parties (Ecovadis, Intertek, etc.).

In this respect, the Group has the following fundamental prerogatives:

- the correct and prompt response to requests deriving from such assessment processes;
- achieving a satisfying overall rating;
- constant improvement of the assessments over the years.

- **Subscription to specific CSR projects:** selection of national and international projects relevant to the ethical principles of the Group.

Among the most significant projects, it is worth highlighting that the Group has undertaken a process towards subscription to the United Nations Global Compact. Such subscription grants access to a series of opportunities, including:

- the adoption of a stable and globally recognized operating framework for the development, implementation, and description of environmental, social, and governance-related practices;
 - the promotion of sustainability solutions in partnership with a wide range of stakeholders including UN agencies, governments, civil society organizations, labor unions, and other non-business organizations;
 - access to the knowledge and experiences concerning sustainability and development promoted by the United Nations and to the tools and management resources developed by the Global Compact;
 - acquisition of specific know-how;
 - possibility to be involved in activities focused on different environmental, social, and governance issues.
- **Supply chain:** verification of the Group's compliance with fundamental ethical principles by suppliers, and progressive extension of such compliance to the key criteria for selecting the principles.

The relationship with suppliers has always been based upon the principles of loyalty, fairness, and cooperation. In addition to such principles, the Group is gradually developing a process of growing demand for assessment of supplier reliability in terms of CSR-related topics. More specifically, the process includes three main phases:

1. Obtainment of written confirmation by the suppliers of (a) compliance with local standards, (b) implementation of a suitable governance of CSR-related topics, and (c) commitment to promote such topics to its own pool of suppliers.
2. Obtainment and analysis of specific questionnaires designed by the suppliers, on the basis of which to achieve an assessment for CSR purposes.
3. Implementation of assessments deriving from the previous phase 2 in the overall assessment of suppliers for selection purposes.

Throughout 2018, only the first phase of the process was implemented: implementation of the following two phases is a goal for the years 2019 and 2020.

▪ **Training**

Progressive training of the personnel targeted towards acknowledgement and understanding of CSR-related policies.

Within the Group's overall growth path, a fundamental element is suitable personnel training. In this specific case, the Group deems it necessary that there is, within the company, an appropriate knowledge of the main CSR-related policies.

For this purpose, specific training sessions are planned throughout 2019, first in Italy then in the main macro-regions in which the Group operates.

Also in 2019, the Group has planned comprehensive ‘road shows’ in the main foreign regions with the purpose of presenting CSR initiatives it is developing, and to raise awareness on the latter.

1.5 Risks related to non-financial topics

The Group is conscious of how important it is to identify, assess, prevent, and reduce potential risks, including risks related to non-financial topics that add to financial and operating risks described within the Annual Financial Report.

Risk mitigation is facilitated by the implementation of clear operational procedures, implemented in a punctual and homogeneous manner; for this reason, the Group started an Enterprise Risk Management project in 2016, which uses internal resources and external consultants aimed at revising and updating key procedures and creating a function of Internal Audit to aim at verifying compliance.

During 2018 this project led to the updating of some key operating procedures including, procedures related to investments, purchases and management of new projects with customers.

With particular reference to risks of a non-financial nature, the main cases are set out below, together with the way in which the Group mitigates their effects.

- **Risks related to anti-corruption**, in terms of the possible occurrence of events and/or circumstances linked to active and passive corruption.
For this purpose, the Group has drafted and constantly updates its own Code of Ethics, describing in detail the mandatory guidelines employees are required to abide by. The requirements of the Code are transmitted to employees through written publication and eventual training activity. In addition to the Code of Ethics, a specific whistleblowing policy was issued during 2018.
- **Risks related to people**, namely those linked to health and safety at the workplace, employee management, respect for human rights, and equal rights.
For this purpose, the Group carries out related internal awareness campaigns and constantly monitors the results achieved, as well as eventual reporting of behavior against the law or internal procedures. In support of the Group’s sensitivity to these

risks, specific policies on Health and Safety, Equality and Diversity, Work and Human Rights were issued during 2018.

- **Environmental risks** related to greenhouse gas emissions of manufacturing processes, energy consumption, waste production, and water consumption.

For this risk type, the Group constantly assesses the most suitable internal and external methods for raising awareness, and sets annual goals for the reduction of the environmental impact of its activities, consistently monitoring the latter and assessing the results achieved by the individual production plants. In support of the Group's sensitivity to these risks, specific policies on Environment, Water and Pollution were issued during 2018.

- **Risks related to commercial relationships with customers and suppliers**

The Group strives to guarantee that its relationships with customers and suppliers are based on ethical and sustainable practices, based upon absolute respect of current standards and coherent with the guidelines of the Group Code of Ethics.

2. Materiality

2.1 Identification of material topics

Materiality analysis is the tool used to identify contents of the NFD, based upon the non-financial topics considered most relevant and with the most impact. To perform such an analysis, the Group has taken into account the requirements of the aforementioned Decree, and especially the principles governing its corporate activities, as well as the interests of its stakeholders and their expectations.

In order to facilitate the identification of the topics to include and develop on in this NFD, the Group has:

- identified its stakeholders;
- analyzed the sustainability context specific to the sector of reference by means of a benchmark analysis against the main competitors and an investigation on the topics considered relevant to its business.
- surveyed – through the involvement of workgroup representatives – material aspects, expectations, and the matters most related to the Group in comparison with those involving its stakeholders, with the purpose of analyzing the most relevant topics in accordance with the aforementioned Decree.

Group stakeholders include: shareholders, employees, clients, suppliers, and local communities.

Topics dealt with in the NFD refer to 5 macro-issues as listed below:

1. Values
 - Corporate values and reputation
 - Ethics and the fight against active and passive corruption
2. People
 - Health and safety at the workplace
 - Relationships with labor unions
 - Human rights and equal opportunities
 - Personnel training
3. Environment
 - Energy efficiency
 - Emissions management
 - Scrap and waste management
 - Water management
 - Environmental certifications
4. Products, Clients, and Supply Chain
 - Product quality and Customer satisfaction
 - Supply chain
5. Social aspects and relationship with the local context
 - Social initiatives
 - Cooperation with Universities

Following the materiality analysis described, the resulting topics have been assigned priority levels for both the Group and its stakeholders.

The topics will be analyzed and developed on within this NFD, also for the purposes of compliance with Legislative Decree n° 254/2016.

3. Values

The Group commits to promoting ethical and responsible behavior and to make it so that its employees work fully in compliance with current standards and with its current Code of Ethics and policies.

3.1 Corporate values and reputation

The Parent company has established 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.

Code of Ethics

This clear set of values is included in the Group Code of Ethics. The Group is committed to guaranteeing that all employees, suppliers, or any other party related to the Group share such values.

The Code of Ethics, which may be consulted and downloaded on the Group website, provides the undisputable guidelines pertaining to the following fields.

- Business ethics: conflict of interest, confidentiality and classified information, corruption and illegal payment, money laundering, competition, and reputation.
- Employees: child labor and forced labor, freedom of assembly, equal rights, abuse, work environment, wage and working hours, hiring and promotions, internal monitoring system, corporate data and books of accounts, corporate property, external activity, obligations, and prerogatives of employees in management positions.
- Health, safety, and environment: environmental safety in working processes, environmental impact, and product safety.
- Relationships with third parties: clients, suppliers, public institutions, labor unions and political parties, corporate communication and information, relationships with the media.
- Accounting and internal audit: fairness, transparency, and promptness of financial information.

In 2018 the Code of Ethics was translated in the main languages used in the countries in which the Group operates, and the managers of all the Group companies have undersigned a letter of subscription to its contents, with the commitment to share knowledge of the Code with its employees.

3.2 Ethics and the fight against active and passive corruption

The Group does not tolerate any form of abuse of power, active corruption, or passive corruption, either in its relationship with the public administration or with private entities. This position helps to re-enforce the commitments the Group has voluntarily made through

its policies and procedures to address the fight against corruption, which are constantly updated and adapted to current legislation. The Group has defined rules to manage such topics in the Code of Ethics.

Moreover, C.L.N. S.p.A. and Italian subsidiaries MA S.r.l. and MW Italia S.r.l. have adopted specific management and organization models in accordance with Legislative Decree n° 231/01, including a specific Anti-corruption Code of Conduct.

The Group thus has formalized its fight against corruption, for which it acts as a guarantor in carrying out its activities. It has designed a roadmap that requires a formal subscription to the highest levels of integrity, honesty, and fairness by the recipients of the Code of Ethics – specifically administrators and employees.

All recipients are held responsible – in carrying out their work activity – for strictly rejecting any form of abuse of power and corruption.

The Group and the recipients commit to ensure that all laws and regulations related to the abuse of power and corruption are respected in full, in every jurisdiction of operation.

Whistleblowing Policy

The Group has also issued – in 2018 – a specific Whistleblowing Policy, based upon which the employees are given the possibility to report concerns pertaining to unsuitable corporate conduct, with the guarantee of being immune from retaliation or victimization due to reporting done in good faith.

This policy applies to all CLN Group employees worldwide, including part-time, short-term, or contract workers. It may be utilized by the affected people or entities and the family members, or even by suppliers, business partners and others, to report concerns related to business operations or to the conduct of Group personnel.

The reporting subjects shall remain anonymous unless they have given written consent to disclose their personal details.

Incoming reports shall be analyzed and managed by the Whistleblowing Committee. Such committee will receive, store, and assess every complaint and issue reported, and act accordingly. The type of action taken shall depend on the nature and severity of the issue. Every report received through the Whistleblowing portal or by mail will be promptly forwarded to the Whistleblowing Committee, providing details on the actions taken in response to each issue.

The analysis of eventual additional topics not managed formally through the Whistleblowing portal shall not fall under the tasks performed by the Committee.

(Disclosure: 419-1, 205-3)

Significant fines for noncompliance with laws and regulations in the social and economic context	In 2018, as in previous years, no significant fines have been imposed for noncompliance with laws and regulations in the social and economic context.
Cases of corruption and actions taken	In 2018, as in previous years, no cases of or losses ascribed to the “corruption and bribery” category have been recorded.

4. People

CLN Group is comprised of a multicultural group of employees: about 7,700 individuals in total (counting C.L.N. S.p.A. and its subsidiaries within the scope of consolidation) as at December 31st, 2018. Out of these, 22% work in Italy – which hosts the Group headquarters and most of the central technical and commercial offices supporting the production plants – 28% work in Poland, 22% in South Africa, 16% in France, 5% in Germany, and the remaining 7% in Romania, Russia, and Slovakia.

<u>GRI Disclosure 405-1</u> <u>Personnel by age group (n°)</u>	2016			2017			2018		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
< 30 years	589	97	685	653	102	755	676	97	773
30-39 years	1,745	239	1,984	1,736	275	2,011	1,649	264	1,913
40-49 years	2,004	295	2,299	2,066	285	2,351	2,166	297	2,463
50 years and above	2,011	361	2,373	2,077	360	2,437	2,191	379	2,570
Total	6,349	992	7,341	6,532	1,022	7,554	6,682	1,037	7,719

<u>GRI Disclosure 102-8</u> <u>Personnel by geographic area (n°)</u>	2016			2017			2018		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Europe	4,607	660	5,267	4,932	712	5,644	5,100	725	5,825
South Africa	1,462	293	1,755	1,388	291	1,679	1,395	287	1,682
Rest of the World	280	39	319	212	19	231	187	25	212
Total	6,349	992	7,341	6,532	1,022	7,554	6,682	1,037	7,719

<u>GRI Disclosure 405-1</u> <u>Personnel by category (n°) - Europe</u>	2016			2017			2018		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Directors	123	21	144	129	26	155	119	22	141
Employees	863	288	1,152	901	324	1,225	1,029	374	1,403
Manual workers	3,621	351	3,971	3,902	362	4,264	3,952	329	4,281
Total - Europe	4,607	660	5,267	4,932	712	5,644	5,100	725	5,825

<u>GRI Disclosure 405-1</u> <u>Personnel by category (n°) - South Africa</u>	2016			2017			2018		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Directors	6	0	6	6	0	6	6	0	6
Employees	141	23	164	136	28	164	169	32	201
Manual workers	1,315	270	1,585	1,246	263	1,509	1,220	255	1,475
Total - South Africa	1,462	293	1,755	1,388	291	1,679	1,395	287	1,682

<u>GRI Disclosure 405-1</u> <u>Personnel by category (n°) - Rest of the World</u>	2016			2017			2018		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Directors	3	0	3	0	0	0	0	0	0
Employees	52	21	74	38	15	53	38	20	58
Manual workers	225	18	242	174	4	178	149	5	154
Total - Rest of the World	280	39	319	212	19	231	187	25	212

At the end of 2018, employees hired on long-term contracts represented 92% of the total number.

<u>GRI Disclosure 102-8</u> <u>Hired personnel (n°)</u>	2016			2017			2018		
Contract type	Male	Female	Total	Male	Female	Total	Male	Female	Total
Long-term	6,026	904	6,930	6,096	928	7,024	6,136	949	7,085
Fixed-term	323	88	411	436	94	530	546	88	634

In 2018, the number of employees increased by 174 people as a result of a positive difference between new hires (578 employees, equal to 7.5% of the workforce) and resignations (404 employees). In 2018 the turnover rate was equal to 0.13.

<u>GRI Disclosure 401-1</u> <u>Hires and resignations (n°)</u>	2017			2018		
	Male	Female	Total	Male	Female	Total
Personnel as at 1/1	6,349	992	7,341	6,518	1,035	7,553
Hired employees	532	112	644	506	72	578
Resigned employees	(421)	(75)	(496)	(355)	(49)	(404)
Changes in scope of consolidation (*)	72	(7)	65	0	0	0
Personnel as at 31/12	6,532	1,022	7,554	6,682	1,037	7,719

(*) In 2017, these refer to the sale Excel-Rim Japan and Malaysia, and the establishment of ITLA BONAITI (in terms of the activity assigned by Giuseppe & F.lli Bonaiti S.p.A.)

At the end of 2018, about 2% of total employees were hired through part-time contracts.

<u>GRI Disclosure 102-8</u> <u>Contract type (n°)</u>	2016			2017			2018		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Full-time contract	6,293	931	7,223	6,471	952	7,423	6,611	935	7,546
Part-time contract	56	61	118	61	70	131	71	102	173

4.1 Health and safety at the workplace

The topic of health and safety at the workplace is the Group's main priority. To promote health and safety at the workplace requires the introduction of suitable measures and positive actions to ensure that employees may fully exercise their duties.

The activities performed by the Group for such purpose, managed locally by Safety Managers present at each of the plants, are as follows:

- to guarantee the observance of regulatory provisions regarding health and safety, and to promote initiatives based on a process of constant improvement and prevention;
- to define and implement control strategies for risk prevention;
- to continuously improve corporate performance and constantly monitor risks deriving from work activities;
- to provide corporate management with an efficient and effective management system that allows a consistent process of identification and solution of emerging issues, as well as an orderly flow of information that supports decision-making and operational responsibilities;
- to boost personnel involvement, motivation, and awareness;
- to contribute to improving levels of health and safety at the workplace;
- to improve internal and external corporate image, in order to gain confidence from customers, suppliers, and control entities/authorities;
- to gradually reduce costs of health and safety at the workplace.

In this respect, a specific Group policy based upon the following fundamental principles has been issued in April 2018.

- The Group employees, with their well-being and their psycho-physical integrity, are the most precious resource.
- The CLN group intends to implement safe and healthy working conditions.
- Safety and the safeguard of individual and collective health have maximum priority in all Group actions, and are considered an unavoidable goal to be constantly achieved and improved.
- The processes, products, plants, materials, and suppliers are defined, created, and maintained in accordance with the principles of safety and health protection of all the involved parties.

- The Group Code of Ethics, current legislations, and good manufacturing practices are the guidelines adopted to guarantee the safety of the workplaces and the protection of health.
- The Group has the duty to operate in complete safety, guaranteeing that every procedure is well understood and respected.
- Along with investments in technology and services, training on health and safety – concerning human factors – is a fundamental element to develop consciousness of all the parties affected and guarantee their involvement.

The continuous monitoring of Health and Safety indicators and the definition of challenging goals allows an assessment of Group performance, and to identify eventual actions for improvement.

<u>GRI Disclosure 403-2</u>	2016	2017	2018
Frequency Rate (n° accidents/n° hours worked)	4.64	3.95	3.19
Gravity Rate (n° days of absence due to injury/n° hours worked)	0.17	0.11	0.09

The effort by CLN Group management to reach and maintain such results is also evidenced by a continuous improvement and constant identification of new tools to implement.

Training and worker involvement are considered fundamental aspects for the creation of a strong and solid safety culture focused on risk awareness and on participation in safety-related activities. The aim is to spread a proactive and participatory approach. In 2018, about 42 thousand hours of training concerning the environment, health, and safety at the workplace were provided. Every day and at all plants the employees attend ‘5 minutes for safety’, a field-training session calling the attention of workers on specific topics.

In order to involve every employee and develop a safety culture, “safety days” are organized. These are days dedicated to training and raising awareness on the topics related to health and safety at the workplace, which are held on a rotational basis at the main facilities of the Group. The sessions are mainly directed at employees, but also involve their families, in order to underline how the health and safety culture must be given value in all contexts, not only the workplace. In 2018 the initiative was extended to a greater number of Group branches. The first-ever “safety day” held at the Rosslyn (South Africa) plant was especially significant: about

900 employees and their families took part, and it included a Safety Show – a drama performance – as well as numerous safety demonstrations (i.e. emergency and first aid simulations).

Certain initiatives also involved the sons and daughters of employees, for example the “*Sicurezza attraverso gli occhi dei bambini*” (safety in the eyes of children) project: at the numerous manufacturing sites, the children represented the safety topic through drawings, photographs, and illustrations. The best drawings were given an award and published in a corporate calendar.

The MA division celebrated the “European Week for Safety and Health at Work 2018”, focused on management of hazardous substances by means of an information campaign involving all employees in order to improve their awareness on the specific topic.

Finally, we should highlight that 56% of the Group plants have achieved OHSAS 18001 certification, and the aim is to reach 80% by 2020. Over the year 2019, the Group plans a transition from the OHSAS 18001 occupational health and safety management standard to the ISO 45001:2018 standard at MA facilities. The effectiveness of the management system is guaranteed by recurring internal and external audits with the aim to identify a growing number of new improvement opportunities and highlight eventual criticalities.

4.2 Relationships with labor unions

As at December 31st, 2018, about 75% of all the Group’s employees were employed through collective bargaining agreements.

GRI Disclosure 102-41 Percentage of employees employed through collective bargaining agreements (n°)	2016			2017			2018		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Total employees	6,349	992	7,341	6,532	1,022	7,554	6,682	1,037	7,719
Employed through collective bargaining agreements	4,638	691	5,329	4,840	724	5,564	5,052	727	5,779
Total	73%	70%	73%	74%	71%	74%	76%	70%	75%

The Group’s relationship with labor unions is historically based on transparency and focused on establishing balanced agreements between the parties.

In all the countries in which it operates, the Group adopts a negotiated approach based upon prompt communication of business scenarios and strategies, with particular reference to market-related issues and production projections, as well as – in terms of employment – human resource management.

In cases of critical occupational issues, the Group philosophy is based on consensus-based actions targeted towards the identification of the most suitable tools that, on a country-by-country basis, may allow a solution without generating unsustainable collective or individual issues.

Furthermore, where required by local rules, salary policies are communicated to the labour unions and subject to specific agreements with those most representative.

As a further proof of the proper functioning of this approach, in the past few years the Group has not faced any incidents of social unrest or unilateral actions, such as strikes or interruption of overtime, with the exception of actions related to national-level conflict such as joining general strikes.

The Group recognizes the labor union as a stable interlocutor, and has never carried out actions to limit worker's representation within the individual companies, always choosing to discuss specific issues with local labor unions and more wide-ranging issues with main national labor unions.

The Group has an open, nondiscriminatory approach towards labor unions, which is aligned to the expectations of its employees.

4.3 Human rights and equal opportunities

Human resource management – from the selection process to the hiring phase – is based upon principles of nondiscrimination and equal rights. In this regard, the Group works to guarantee the same professional growth and knowledge development opportunities for its entire workforce, without any type of discrimination.

Particular focus is dedicated to management of diversity, in terms of gender equality and disability – the two fields with the highest risk of discrimination. The Group views the concept of diversity in terms of giving value to the differences between individuals, and every employee's contribution to creating an environment in which people's identities are respected.

The Group invites all its employees to adopt this philosophy, in accordance with the principles included in the Code of Ethics.

To this end, the Group has issued two specific policies in 2018:

- Work and human rights
- Equal rights and diversity

Work and human rights

This policy is based upon the fundamental principles included in the Universal Declaration of Human Rights issued by the United Nations (UN), the Declaration of Fundamental Principles and Rights at Work by the International Labour Organization (ILO), the Convention on the Rights of the Child by the United Nations, and the European Convention on Human Rights.

On the basis of these principles, the Group's fundamental commitments are outlined hereunder.

- Forced labor and traffic of human beings
Any form of forced labor or human trafficking is forbidden.
- Child labor
Child labor is forbidden, along with hiring of people younger than the work age established by law in the place where the work itself is performed, and in any case no younger than 15 years old, unless international agreements or the local legislation include a specific exception on the matter. Moreover, a commitment is made to not make or pursue work agreements with suppliers that make use of child labor.
- Healthy and safe workplace
Maintenance of healthy and safe work environments that respect all the laws, regulations, and internal rules concerning health and safety.
Maintenance of excellent working conditions in the industrial context, applying the principles of hygiene, industrial ergonomics, and individual organizational and operational processes. Promotion of an accident prevention culture and risk awareness among the employees; such a culture shall be promoted actively, and in particular by means of specific training courses and suitable information.
- Freedom of assembly and right to collective bargaining agreements
Respect for the freedom of assembly and right to collective bargaining agreements, in compliance with local legislation. The employees are free to join a labor union and negotiate their requests. Commitment to cooperate with the organizations representing the workforce and to maintain significant and constructive relationships with local and national labor unions.
- Working hours, wages, and indemnity

Implementation of competitive wage policies aligned to the industry and the local job market. Compliance with current legislation governing wages, working hours, overtime, and indemnity or – in the absence of specific legislation – compliance with the international laws on labor.

▪ Safety at the workplace

Maintenance of work environments in which violence, harassment, intimidation, or other dangerous or destructive conditions due to internal or external threats are unacceptable. Any type of harassment or harassing behavior – such as that related to ethnic origin, gender, or personal characteristics – with the purpose or effect to violate the dignity of the purpose suffering the harassment or abusive behavior is considered unacceptable.

▪ Commitments towards the surrounding environment, the community, and the parties affected

Commitment to always maintain an open dialogue with the people and entities affected by our activity in terms of human rights or labor rights, where applicable, in the scope of establishing a greater in-house attention to the local issues in order to resolve them more easily.

Equal rights and diversity

This policy is based upon one of the fundamental rights contained in the Universal Declaration of Human Rights issued by the United Nations, as well as the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW) also by the United Nations, Directive 2000/43/CE by the European Commission, and the EU Charter of Fundamental Rights.

On the basis of such principles, the Group rejects any form of discrimination at the workplace by adopting the following practical actions:

- integration of the principle of equal treatment in the processes defining every phase of professional life and the value of human resources, so that decisions related to hiring, training, and career advancement are made strictly on the basis of ability, experience, and professional potential of individuals;
- awareness-raising and training of the entire workforce on the value of diversity and the ways of managing it, by means of training courses designed to spread a culture of respect for individuals;
- identification and availability for the personnel to use in-house tools guaranteeing the safeguarding of equal treatment;
- elimination of the causes and/or malfunctions in the work organization that may, even involuntarily, cause discrimination;

- disapproval of the regular, iterative, and intentional use of persecutory or oppressive practices, moral or psychological abuse carried out with the purpose of causing pain or with discriminatory motivations;
- adoption of tools to record perception of the discrimination phenomenon, also through the use of questionnaires;
- setup of a procedure for formal or informal reporting of cases of discrimination or harassment;
- guarantee of the right to privacy for both the victims or discrimination/harassment and those who may have caused them;
- activation of a system to monitor the efficiency of the Policy, applying all the necessary changes.

4.4 Personnel training

The development and growth of professional and management skills of employees is fundamental to guarantee the quality and absolute safety of all corporate processes.

For this purpose, the Group has offered about 480,000 hours of training in 2018.

<u>GRI Disclosure 404-1</u> <u>Hours of training offered (n° of hours)</u>	2016			2017			2018		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Directors	839	116	955	1,038	111	1,148	1,077	268	1,345
Employees	25,752	7,317	33,069	26,233	6,793	33,026	54,295	14,577	68,872
Manual workers	69,917	13,874	83,791	78,935	17,255	96,190	298,604	109,185	407,789
Total	96,508	21,307	117,816	106,205	24,158	130,364	353,976	124,030	478,006

<u>GRI Disclosure 404-1</u> <u>Average hours of training by category (n° of hours)</u>	2016			2017			2018		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Directors	6	6	6	8	4	7	9	12	9
Employees	24	22	24	24	19	23	45	34	42
Manual workers	14	22	14	15	27	16	56	184	69
Total	15	21	16	16	24	17	53	120	62

The type of training offered was mainly in the technical-professional, HSE, and management skills fields.

Type of training offered (n° of hours)	2016			2017			2018		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Technical-professional skills	52,366	11,396	63,762	59,058	13,920	72,978	259,105	103,944	363,049
Health, Safety and Environment	26,978	4,332	31,310	26,303	4,770	31,074	37,696	4,150	41,846
Management skills	4,233	629	4,862	7,917	887	8,804	33,428	9,415	42,843
Ethics	-	-	-	-	-	-	4,812	850	5,662
Other types	12,932	4,950	17,882	12,928	4,580	17,509	18,935	5,671	24,606
Total	96,508	21,307	117,816	106,205	24,158	130,364	353,976	124,030	478,006

Technical-professional skills

Technical training related to the process/product: this involves innovation and the adaptation of the employees' professional skillset to the new developments of the automotive market, with a special focus on emerging technologies. The subjects are not strictly correlated to the current business, but are also directed towards exploring new directions in terms of processes, products, and materials. This training type has a three-level structure:

- Presentation to new employees, through internal and external training sessions with the aim of extensively introducing the new employees to the corporate process model. This includes training on technical and procedural issues, as well as manufacturing processes and the final product.
- For employees who already have an advanced technical skillset, the Group offers a professional update on innovative technologies in the field of manufacturing tools and systems. The training is aimed at enriching the knowledge of employees with an existing level of seniority.
- Director level: training sessions are customized to cater for the requirements of the individuals, conditional to corporate strategy. It is therefore a highly specialized training to enhance professional know-how.

Technical-professional training has grown significantly in 2018 compared to the previous year, and in particular in South Africa due to the production launch of a new important project.

Health, Safety and Environment

The Group promotes continuous and regular training in the field of health, safety and environment, to all its employees, through a series of different initiatives (in-class lessons, workgroups in production area, “safety days”).

We should highlight that Italian facilities benefit from the presence of trainees with graduate or post-graduate degrees in HSE-related fields. The trainees are for the most part hired by the Group, or in any case are placed in the condition to enter the job world with an important experience on their résumé.

Management skills

This training type is normally offered to individuals with a high seniority, as part of career development, allowing the completion of their profile as managers in terms of resource management, leadership, and knowledge of target markets.

Ethics

For the first time ever, in 2018 the company offered training sessions pertaining to ethical values, in Poland and Italy in particular.

Other training types

The corporate training offer is completed by specific courses in other relevant areas, and most of all by language courses.

TOK ACADEMY project

The TOK (Transfer Of Knowledge) Academy in Chivasso (Turin) was inaugurated in September 2018. It is a professional training institution for students having earned a vocational school diploma and for internal personnel.

The academy offers a three-year training course: at the moment, the project is involving 8 students qualified in mechatronics, and is focused on the in-house development of skills that are not easily acquired in the work context.

5. Environment

The production carried out at the Group facilities includes a wide range of metal manufacturing processes. In particular, the main metal manufacturing processes and technologies currently used are:

- 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
- Cold re-rolling of steel
- Steel annealing in furnaces and through heat treatment

Such processes require – to different extents – the use of factors of production as well as natural and energy resources, thus causing environmental impact.

The Group is confident that the creation of value – supported by means of profitable and socially responsible growth – must take into account environmental protection as a key factor in the execution of its corporate activities. Environmental integrity and safeguarding of all those who offer their services to Group facilities are inescapable values to be adopted by corporate management and all of its employees in carrying out each of their duties and depending on their skillset.

In accordance with the pursuit of such values and goals, the Group carries out its activities in full compliance with current legislation and standards, and – moreover – commits to promote continuous improvement and prevention initiatives to its manufacturing processes.

This includes the development and implementation of methods based – now more than ever – on the fundamental principles of maximum reduction of environmental impact and optimization of resources.

In this scope, the activities performed by the Group – centrally coordinated by specific entities (HSE entities) and managed locally by the Environmental Managers at each production plant – are focused on:

- guaranteeing compliance with environmental legislation and the most modern international standards for environmental protection;
- defining and implementing action and control plans inspired by environmental protection philosophies;

- constantly improving corporate performance by constantly monitoring the environmental aspects and impact of the production activity;
- providing corporate management with an efficient and effective management system that may allow a permanent identification and management of emerging issues and an orderly information flow suitably supporting decision-making and executive responsibilities;
- increasing the involvement, motivation, and awareness of workers and third-party companies working at CLN facilities;
- reducing environmental impact by means of technical operations, reduced consumption, compensation actions, waste reduction and increase in recycling, and prevention of eventual environmental contamination;
- improving its internal and external image, thus having a greater reliability with regards to clients, suppliers, and supervision entities/authorities.

Environmental Policy

The Group has issued a specific “Environment” policy based upon the following fundamental principles.

- Environmental protection, as well as safeguarding of individual and collective health, are the top priorities in all Group actions.
- The CLN Group plans to minimize the impact of its actions on the environment.
- The processes, products, plants, materials, and suppliers are defined, created, and maintained in accordance with the principles of environmental protection by all the involved parties.
- The Group Code of Ethics, current legislations, and good manufacturing practices are the guidelines adopted to guarantee environmental protection.
- The Group has the duty to operate with complete environmental safety, guaranteeing that every procedure is well understood and respected.
- Along with investments in technology and services, training on environmental topics – concerning human factors – is a fundamental element to develop consciousness of all the parties affected and guarantee their involvement
- The efficient use of natural resources such as energy and water as well as raw materials is fundamental to the Group’s environmental approach.

Continuous monitoring of environmental indicators, and the definition of challenging goals allows an assessment of Group performance, and to identify eventual actions for improvement. In 2018 a Group project for the standardization and agreement between the definitions and method of documenting environmental indicators has been developed. This

led to the creation of a single data collection platform that allows continuous and standardized reporting. Moreover, the project has led to the identification of a new and common environmental data comparison method, based upon the so-called “standard hours”, essentially defined as production hours against which to compare all absolute environmental indicators.

As a further proof of the Group commitment in this direction, it is specified that all the Group facilities are required to monitor the achievement of annual improvement targets for the main indicators related to energy consumption, water use, and waste generation.

Finally, it is highlighted that two additional, specific policies related to “Water” and “Accidental pollution” have been issued in 2018.

Water

This policy reiterates, among other factors, the Group’s commitment to:

- perform preventive maintenance operations so as to avoid any form of water wasting;
- support water conservation initiatives jointly with the local authorities and communities;
- perform regular assessments of the water supply with the suppliers themselves, local authorities, and other organizations (i.e. the World Resources Institute);
- strictly comply with all standards related to quality, consumption, and treatment of water;
- closely monitor the wastewater produced by the working activity that may affect the quality of the water table.

Accidental pollution

This policy reiterates, among other factors, the Group’s commitment to:

- strictly comply with all standards related to accidental pollution episodes;
- only work with authorized waste management companies equipped with the necessary authorizations;
- perform regular maintenance and monitoring of the systems to avoid leakage of oils and/or other pollutants;
- purchase suitable insurance coverage for eventual damage due to accidental pollution episodes.

5.1 Energy efficiency

In 2018, the Group's energy consumption was about 1.6 million GJ, mainly in the form of electrical energy (62%).

<u>GRI Disclosure 302-1</u> <u>(GJ)</u>	2016	2017	2018
Electrical energy consumption	871,706	909,753	927,129
Fuel consumption	582,016	630,302	646,540
Total energy consumption	1,453,723	1,540,055	1,573,669

The consumption of electricity concerns both the production plants and their administrative offices; the fuel consumption is from the production of heat for heating of the buildings and for the production processes, in particular painting.

For the Group's Headquarters, located in Rivoli (TO) Italy, the total energy consumption for 2018 was 1,334 GJ of electricity and 3,290 GJ of fuel; total energy consumption for 2017 was 1,310 GJ of electricity and 2,815 GJ of fuel. These values are related to the consumption of the administrative offices of C.L.N. S.p.A., MW Italia S.r.l. and MA S.r.l.

It is worth highlighting that the 2018 calculation includes the ITLA BONAITI plant in Civate purchased in late December 2017. Group consumption excluding such plant (thus with the same scope of consolidation) was 918,897 GJ in electrical energy consumption and 629,302 GJ in fuel consumption, thus a total of 1,548,199 GJ.

Total energy consumption has increased by about 2% compared to 2017, in line with a growth in fiscal year result and production output, which the Group calculates both in terms of total hours worked and in terms of standard hours of production.

Consequently, the energy intensity ratio has fallen by about 3% compared to the previous year, considering both the hours worked and the standard hours of production.

<u>GRI Disclosure 302-3 (GJ/h)</u>	2016	2017	2018
Energy Intensity (Total energy consumption/n° hours worked x 1000)	99.29	93.55	91.16
	2016	2017	2018
Energy Intensity (Total energy consumption/n° standard working hours x 1000)	285.25	236.14	229.24

This improvement in Energy Intensity has been obtained by means of specific plans of action and energy reduction activities such as the installation of LED lighting, industrial plant energy optimization, and continuous personnel awareness-raising. In particular – with the support of an innovative start-up company – we have performed consumption reduction operations by means of optimization of processes, which require the use of compressed air.

The Group is aware that environmental protection must be – above all – pursued through the optimization of energy use, and this can also be achieved through little everyday actions carried out at the production facilities and offices. The Group has organized communication campaigns to promote a number of “Top Tips” to raise environmental awareness among employees, and to reduce environmental impact by means of simple but effective behavioral rules including conscious use of air conditioning/heating systems as well as efficient lighting.

5.2 Emissions management

Greenhouse gas emissions are the main cause of climate change and global warming. The Group has committed to limit the emissions output of its production and heat generation plants, and to launch related initiatives that may contribute to the European Union’s commitment (Paris Agreement) to maintain global temperature rise at a temperature 2°C (35.6°F) below pre-industrial levels.

In 2018 direct and indirect greenhouse gas emissions recorded amounted to 35,161 metric tons of carbon dioxide equivalent, growing by about 3.5% compared to 2017, in line with the growing production output and fiscal year results recorded.

<u>GRI Disclosure 305-1 (SCOPE 1 - tCO₂e)</u>	2016	2017	2018
Direct CO ₂ emissions (metric tons of CO ₂ equivalent)	20,127	22,840	23,824
<u>GRI Disclosure 305-2 (SCOPE 2 - tCO₂e)</u>	2016	2017	2018
Indirect CO ₂ emissions (metric tons of CO ₂ equivalent)	11,421	11,119	11,337
<u>SCOPE 1+2 (tCO₂e)</u>	2016	2017	2018
Total direct and indirect emissions	31,548	33,959	35,161

The data shown in the table above relating to previous years have been updated to ensure consistency with the improvement of the calculation methodology.

The sources used for the conversion of energy data and for the calculation of emissions are the following: "GRI 2011, Guidelines for sustainability reporting, version 3.1" and "WRI 2015, GHG protocol tool for stationary combustion, version 4.7".

The relationship between CO₂ emissions and standard working hours is 5.12 metric tons×1000/h, as opposed to a value of 5.21 metric tons×1000/h recorded in 2017, thus with a reduction by about 2% to prove the Group's effort and results achieved in limiting environmental impact causing climate change.

Moreover, the Group promotes the use of compensation measures for its greenhouse gas emissions. In particular, it promotes the creation of green spaces (trees, orchards, grass, and flowers) to increase carbon capture and sequestration, as well as contributing to an increase in biodiversity in the areas close to the production facilities and reducing the environmental impact of the latter. At the end of 2018, green spaces at the Group sites added up to a 200,000 m² (2,152,782 ft²) total surface area. The creation of 31 new green spaces – of an 8000-m² (86,111 ft²) total surface area – is planned in 2019.

5.3 Scrap and waste management

Steel, which is by far the raw material most utilized by the Group, is the most recyclable (100%) and recycled material in the world, due to the fact that it is one of only few materials that does not lose its properties once it is recycled. Moreover, with its resistance and versatility steel lends itself to countless strategic sectors, including:

- Transportation: trains, watercraft, cars, bicycles, etc.
- Energy: load-bearing elements of wind power plants and electrical power transmission lines (trellises)
- Construction: concrete reinforcement and other components

Steel is indeed the main scrap material in manufacturing processes carried out at the Group plants. During 2018, the Group has re-sold about 400,000 metric tons of metals (steel and, to a lesser extent, aluminum) destined for recycling.

The Group's manufacturing processes therefore do not generate a significant quantity of non-hazardous waste in that the scrap material includes almost exclusively metal that is resold for recycling.

The Group produces a minimal quantity of waste classifiable as hazardous (mainly waste oil and paint) in accordance with current local legislation. Such waste amounted, in 2018, 4322 metric tons – 826 (23%) more than the previous year.

<u>Metal scrap and hazardous waste (metric tons)</u>	2016	2017	2018
Metal scrap re-sold for recycling	351,688	378,469	402,897
Hazardous waste	2,940	3,496	4,290

In 2018 the company focused even more on topics related to reduction in waste production and the increase of recycling by means of specific projects and sharing of activities targeted towards improving the related performances.

5.4 Water management

Metal manufacturing and painting sites require the use of water in the cooling process, as well as water used for strictly civil purposes. An uncontrolled use of water causes negative

environmental impacts, such as the reduction in water resources and the modification of natural ecosystems. Water is one of the most contended resources in the industrial, agricultural, and civil contexts. The optimization of water use by factories is important, as it may reduce their general impact on the environment, including alteration of water sources; this may have a positive impact on operating costs as well.

In 2018 the Group has used 591,000 m³ (over 20 million ft³) of water, with a 13% reduction compared to the previous year.

<u>Water consumption (Disclosure 303-1) (m³)</u>	2016	2017	2018
Water used	697,034	680,052	589,912

This reduction, achieved in spite of the increase in production output, is the result of the constant consumption optimization process undertaken by the Group, including – in particular – an improvement of the production processes and reduction in leakage. An example of the Group’s effort is the “Water efficiency project” launched by the MA Division to encourage production plants to engage in substantial water efficiency actions. The main elements of the project are the following:

- Constant measurement of the quantity of water used, wastewater, and percentage of recycled water.
- Awareness campaigns and workshops for employees, in order to stimulate responsible behavior and water conservation.
- Development of a process for the measurement of running water consumption for each plant.
- Reduction of water for cleaning to a bare minimum (use of condensed water from compressors or rainwater) and reuse of process water through the installation of water recycling systems.
- Change in equipment: implementation of water-saving technology.

In 2018, CLN’s activity in in Water Stressed Areas was monitored using the Aqueduct Water Risk Atlas tool. Results highlighted a high risk for the site operating in the Port Elizabeth area (South Africa). The site thus underwent actions targeted towards: regularly monitoring the risk and actively participating in the Water Task Team of the Nelson Mandela Bay Business Chamber; increasing employee awareness on the risks related to water resources; considering technical operations to optimize water cycles and introduce multiple uses (reuse) of water.

5.5 Environmental certification

Finally, it is reported that 76% of the Group facilities has earned an ISO 14001:2015 certification, with the aim to reach 85% by 2020. The transition to the new 2015 update has been fully completed. The efficiency of the management system is guaranteed by regular internal and external audits, with the aim to identify more and more opportunities to improve and highlight eventual criticalities.

6. Products, customers, and supply chain

6.1 Product quality and Customer Satisfaction

Employees in the Group always work whilst bearing in mind that the constant pursuit of product excellence and quality is the key factor required to be recognized as a global market leader in steel and aluminum processing.

In order to achieve excellence, the crucial activities to be carried out on a daily basis are:

- To improve industrial processes as much as possible so as to make them fully reliable from the very beginning of newly commissioned projects
- To constantly develop human resource skills through training
- To follow standard maintenance cycles
- To closely monitor supplier quality
- To make personnel aware of customer expectations and their key role in guaranteeing that they are met

Employees are thus frequently encouraged to follow the motto “Quality, passion for details”.

Product quality is measured mainly through customer satisfaction. In a sector distinguished by an incredibly high level of competition, customer satisfaction manifests itself – first of all – through the renewal of existing orders once the products have reached their end-of-life, and through new, incoming orders. The Group’s constant and consistent growth in the past few years is of course a crucial proof of this (330 million euro turnover growth in the past 3 years – CAGR 7.7%).

Secondly, customer satisfaction is proven by tangible forms of recognition awarded to the Group and its divisions over the years.

Awards and recognitions won in the past 5 years

	<u>MA Division</u>	<u>MW Division</u>
2014	<ul style="list-style-type: none"> MA Argentina receives an award by GM in recognition of quality, costs, technology, and service 	
2015	<ul style="list-style-type: none"> MA receives the “Metallic Supplier Award of the Year” from FCA at the 2015 Quality Supplier Convention 	<ul style="list-style-type: none"> MW South Africa receives the “Certificate of Appreciation” award from Toyota
2016	<ul style="list-style-type: none"> MA receives the “2016 Supplier Award” from PSA MA South Africa receives the “Supplier Award” from Toyota for the year 2015 	<ul style="list-style-type: none"> MW South Africa receives the “Special Award” from Toyota
2017	<ul style="list-style-type: none"> MA receives the “Raw Material Supplier Award” from FCA MA Polska is awarded by FCA on the occasion of the “Su.Per” awards ceremony 	<ul style="list-style-type: none"> MW Russia receives the “Q1 Preferred Quality Status” recognition from Ford
2018	<ul style="list-style-type: none"> The division is awarded at the Supplier Performance Awards Ceremony by FCA 	<ul style="list-style-type: none"> The division is awarded at the Supplier Performance Awards Ceremony by FCA

6.2 Supply chain

Suppliers play a fundamental role in the pursuit of high quality and the competitiveness of the Group’s products.

The main purchase/supplier types were:

- Raw material
- Direct goods and services for production purposes
- Investments in plants and machinery
- Tooling/dies sold to customers

Purchases of raw materials (steel and aluminum in particular) are carried out through a limited number of suppliers, large multinational manufacturers, or directly from the end customer – following the “resale” mechanism.

Direct goods and services for production purposes – related directly to the production cycle – mainly include semi-finished goods, transportation, energy, maintenance, and other services for staff and cleaning. There is a vast supplier pool, and suppliers are mainly located in the

nations in which the Group operates, given the demand to provide prompt assistance to the production activities.

The total sum of purchases related to the two categories in 2018 was about 1,367 million euros.

<u>GRI Disclosure 102-9</u>						
<u>Value of raw materials and direct goods and services purchased by geographic area (€/Mln)</u>	2016	%	2017	%	2018	%
Europe	634	58.0%	800	60.7%	819	59.9%
South Africa	167	15.3%	198	15.0%	241	17.6%
Rest of the World	7	0.6%	14	1.1%	8	0.6%
Total raw materials (a)	807	73.8%	1,012	76.8%	1,068	78.1%
Europe	261	23.9%	284	21.5%	285	20.8%
South Africa	11	1.0%	11	0.8%	12	0.9%
Rest of the World	15	1.4%	11	0.8%	2	0.1%
(b) Total direct goods and services for production purposes	287	26.2%	307	23.3%	299	21.9%
Total (a+b)	1,094	100.0%	1,318	100.0%	1,367	100.0%

Purchases related to investments, plants and machinery, and tooling/dies sold to customers represent a spot form of purchase carried out with multinational players that may be located anywhere in the world. Investments in systems and machinery amounted to about 139 million euros in 2018.

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

Nevertheless, social and environmental aspects – with a consequent positive impact on the local economy – are increasingly considered in the assessment of suppliers.

To this end, in 2018 the Group has launched a project that entails the obtainment of written confirmations by its suppliers concerning:

- compliance with local legislation
- implementation of a suitable governance dedicated to CSR
- commitment to promoting the above to its supplier pool

At the end of December 2018, 389 written confirmations were obtained, subdivided as follows:

- Raw material suppliers: 21
- Suppliers of direct goods and services for production: 209
- Suppliers of plants and machinery: 26
- Suppliers of Tooling/dies: 82
- Suppliers of indirect goods and services: 51

7. Social aspects and relationship with the local context

The Group has a strong sense of responsibility and commitment towards the local context, made up of the economic, social, and cultural activities of civil society and the formal institutions present in the areas in which the Group companies operate: this is why the Group has always put effort in supporting social, health, and cultural/natural heritage initiatives, just as it has always monitored the presence of new start-up companies, born in university institutions and aligned to the Group in terms of core values.

7.1 Social initiatives

The Group makes – through the parent company – donations and contributions to organizations operating in Italy in the fields of social welfare, medical research, and the safeguard of cultural/natural heritage.

Safeguard of cultural and natural heritage

- **FAI:** a not-for-profit foundation with the aim of protecting and promoting Italian historic, artistic, and natural heritage. In 2018 CLN has confirmed its subscription to the FAI Corporate Golden Donor support and membership program, directed at companies that share a tangible interest in Italian art, culture, and landscape
- **Consulta per la Valorizzazione dei Beni Artistici e Culturali di Torino** (board for the promotion of cultural/artistic heritage of Turin): CLN is a member of the board, which has the purpose of promoting and improving accessibility to Turin's historical and artistic heritage. CLN is actively involved by participating in the organization's governing bodies and commissions and through its annual contribution. Along with the other 32 member companies, it has helped Consulta invest over 30 million euros since its establishment in 1987, and carry out 90 restoration and promotion initiatives.

Social welfare sector

- **Gruppo Abele:** CLN supports Gruppo Abele – an organization founded in Turin in 1965 by Father Luigi Ciotti to assist those in need of help to regain a place in society – through the Certosa 1515 charterhouse. Certosa 1515 in Avigliana (Turin) is an

accommodation structure and a training center open to all. It is a place designed for the promotion of culture and where people may reflect, study, and share views, whilst preventing and opposing social exclusion.

- **E4Impact:** a foundation established in 2010 at the ALTIS (specialized business and social sciences school) of the Università Cattolica del Sacro Cuore (Milan), with the purpose of fostering sustainable development in emerging economies by supporting training of entrepreneurs in high social- and environmental-impact businesses and the creation of a start-up company with the related business growth. Starting with an MBA in Kenya in 2010, E4Impact is now present in Ghana, Sierra Leone, Uganda, Ivory Coast, Senegal, Ethiopia, and Sudan, where it has trained over 700 entrepreneurs. In 2019 the program will expand to Rwanda and Zimbabwe.

Furthermore, in 2018 the CLN Group has begun to also support the following social welfare projects:

- **Pacefuturo ONLUS:** born officially in 2004, it has managed Villa Piazzo in Pettinengo (Biella) since 2006 and operates in the cultural and peace sectors by means of: meetings, exhibitions, and events; hospitality and solidarity by means of practical generative welfare projects for international asylum seekers, employees, and homeless people; promotion and economics applied to the rediscovery and recovery of local handicraft, artistic heritage, and natural heritage.
- **Caritas Diocesana** - Diocese of Turin: has the function of promoting charity and welfare initiatives across the diocese – by means of direct action or through the connection with volunteering organizations – in favor of people or communities in situations of hardship.

Healthcare sector

- **Fondazione Piemontese per la Ricerca sul Cancro ONLUS** (Piedmontese foundation for cancer research): established to provide substantial support to fight cancer by means of the creation of a Piedmont oncology network, combining scientific research and clinical practice, and offering oncology patients the best human and technological resources available today. CLN's donations have contributed to funding new equipment and maintaining the Istituto di Candiolo - IRCCS (scientific care and recovery center), a diagnostic, medical, and surgery center distinguished by the wide range of therapies carried out and the ability to foster relationships with the greatest national and international research institutes. It is recognized for the treatment of numerous tumors and as one of the most popular health facilities in Italy in terms of patients treated to cure nipple tumor and breast sarcoma.

- **Fondazione Italiana per la lotta al Neuroblastoma ONLUS:** an Italian organization established to fight neuroblastoma (a severe pediatric tumor that affects 130 children in Italy every year) and solid pediatric tumors through innovative research projects aimed towards finding new and effective personalized therapies and cures. In particular, CLN's donations have contributed – also through its subscription to campaigns such as “Cerco un Uovo Amico” (I’m looking for an egg friend) – to fund research projects and labs. Over the past few years, the foundation has made a 20-million euro contribution to scientific research – 14 million euros to researchers – and 8 Italian centers of excellence

Additionally, CLN and its Italian and foreign branches contribute to fund the **Fondazione Mario and Anna Magnetto**, an ideal reflection of the social commitment of the Group's founder and his family towards local entities.

The foundation, established in 2004, directly and indirectly supports projects in the following fields, which have always met the interests of the Group and its founders:

- Health | Support and research, prevention and assistance in the field of cardiovascular and neurological diseases by means of research grants and scholarships, promotion of related activities, organization of conferences and seminars.
- Children | Support of pediatric activities and assistance to children living in situations of hardship or who are disabled.
- Work and entrepreneurship | support and promotion of local businesses, also by means of encouraging research and technological/industrial training in cooperation with specialized entities and institutions.
- Local context | Preservation and restoration of artistic and architectural heritage; promotion of the environment and local context, in particular the Susa Valley.
- Culture | Support and promotion of cultural initiatives in the local context.

www.fondazionemagnetto.org

In addition to the above donations at the national level, there are likewise various fundraising activities promoted by the Group's **foreign branches** and involving their own local contexts, with special regard to the social sphere.

- **Romania:** MW Romania regularly supports Fondazione Procarione, a foundation branching from Fondazione Magnetto that, among other initiatives, contributes to supporting the Drăgășani hospital (where the MW plant is located), provides help to the needy, supports school activities, and offers scholarships for high school students.

- **Poland:** In 2018, MA Polska has supported the following entities:
 - Dom Dziecka w Sieborowicach, a foster home in Sieborowice, by means of gifts to the children and funding of construction and building renovation work.
 - Społeczne Stowarzyszenie Hospicjum in Tychy, an organization providing assistance to terminal oncology patients and their family members, as well as organizing different promotional and educational activities in the city of Tychy (hosting an MA plant);
 - Unia Oświęcim local hockey club, for the purchase of youth equipment.

Moreover, ZWM SHL has made donations to the Kielce History Museum on the occasion of the company's 100th anniversary, and has contributed to creating new green spaces in the city center of Kielce (hosting an MA plant).

- **Germany:** MA Automotive Deutschland supports, by means of donations, educational and sports activity in certain early childhood schools attended by the sons of the employees living in the area where the facility is located.
- **South Africa:** MA Automotive South Africa supports a wide range of social development projects, including numerous initiatives related to the field of education. In particular:
 - support of a foster home for abused children;
 - awarding of scholarships for outstanding students in the local community;
 - support of homeless shelter in Pretoria;
 - subscription to CEO SleepOut™, an initiative in which those involved lived the experience of a night as a homeless person, with the aim to raise funds destined to charity organizations.

7.2 Cooperation with Universities

For a number of years now, the Group, with its special attention to all that which concerns open innovation activities, has continued to cooperate in several specialized cooperation projects with universities and private research centers. The Group is involved in projects related to research and technological innovation in the main areas of operation of the Group's companies, as well as research projects related to sustainable transport and activities supporting – in terms of both funding and technology – start-ups born from university research projects.

Investments in such fields are included in a strategic development plan that involves, in particular, the electric vehicle and future transportation sectors. The Group is aware of the fact it needs to position itself at the center of global changes and trends, and at the same time

to more confidently define its corporate strategy and technological orientation within its current business sector, in order to identify new growth opportunities.

Some of the Group's notable co-operations are with the following:

- **I3P Incubatore Imprese Innovative** - Politecnico di Torino (innovative enterprise incubator of the Turin Polytechnic): funding and technical cooperation in research projects and innovative enterprise ideas (Italian start-up companies).
- **Turin Polytechnic**: research and development projects with undergraduate and PhD students, also through the awarding of scholarships.
- **I-FEVS**: projects funded by the European Community in the context of calls for proposals related to sustainable transport.
- **BeonD**: a business reality – which CLN owns 10% of – established within the Department of Mechanical and Aerospace Engineering at the Turin Polytechnic, that has developed an innovative light electric vehicle platform prototype and, on the basis of such skills, offers engineering services for the implementation of structural composite materials and transmission systems for electric vehicles (batteries and Electronic Control Units).
- **Fondazione Agnelli – CDILabs**: foundation for the identification of international innovative start-up companies. Assessment of investment opportunities or launch of technical collaborations for the implementation of products or services (i.e. a pilot project for technology transfer) provided by such start-up companies in the Group manufacturing facilities.

May 9th, 2019

The Board of Directors

The Chairman

Aurora Magnetto

8. APPENDIX

GRI STANDARD	Disclosure	Chapter	Omissions/Notes concerning the coverage of GRI Disclosure
TOPIC OF ITALIAN LEGISLATIVE DECREE N° 254/16: IDENTITY OF THE ORGANIZATION			
GRI 102: GENERAL DISCLOSURE	102-1 Name of the organization	1. Introduction	
	102-2 Activities, Brands, Products and Services	1. Introduction	
	102-4 Locations of headquarters	4. People	
	102-16 Values, principles, standards, and norms of behavior	3. Values	
	102-18 Governance structure	1. Introduction	
TOPIC OF ITALIAN LEGISLATIVE DECREE N° 254/16: FIGHT AGAINST ACTIVE AND PASSIVE CORRUPTION			
GRI 205: ANTI-CORRUPTION	205-3 Communication and training about anti-corruption policies and procedures	3. Values	
TOPIC OF ITALIAN LEGISLATIVE DECREE N° 254/16: ENVIRONMENTAL ASPECTS			
GRI 302: ENERGY	302-1 Energy consumption within the organization	5. Environment	
	302-3 Energy intensity	5. Environment	
GRI 303: WATER	303-1 Water withdrawal by source	5. Environment	The distribution of consumption by type of withdrawal is not available
GRI 305: EMISSIONS	305-1 Direct (Scope 1) GHG emissions	5. Environment	
	305-2 Indirect (Scope 2) GHG emissions	5. Environment	
TOPIC OF ITALIAN LEGISLATIVE DECREE N° 254/16: PERSONNEL MANAGEMENT			
GRI 102: GENERAL DISCLOSURE	102-8 Information on employees and other workers	4. People	No available details of the number of employees with permanent / temporary contracts by region
	102-41 Collective bargaining agreements	4. People	
GRI 401: EMPLOYMENT	401-1 New employee hires and employee turnover	4. People	The data is only available by genre.
GRI 404: TRAINING AND EDUCATION	404-1 Average hours of training per year per employee by gender, and by classification	4. People	
GRI 405: DIVERSITY AND EQUAL OPPORTUNITY	405-1 Diversity of governance bodies and employees	4. People	
TOPIC OF ITALIAN LEGISLATIVE DECREE N° 254/16: HEALTH & SAFETY			
GRI 403: OCCUPATIONAL HEALTH AND SAFETY	403-2 Hazard identification, risk assessment, and incident investigation	4. People	The frequency rate and the gravity rate are reported, while the absenteeism rate is not available.
TOPIC OF ITALIAN LEGISLATIVE DECREE N° 254/16: HUMAN RIGHTS			

GRI 103: MANAGEMENT APPROACH	103-1 Explanation of the material topic and its boundary	4. People	
TOPIC OF ITALIAN LEGISLATIVE DECREE N° 254/16: SOCIAL ASPECTS			
GRI 419 SOCIOECONOMIC COMPLIANCE	419-1 Non-compliance with laws and regulations in the social and economic area	3. Values	
TOPIC OF ITALIAN LEGISLATIVE DECREE N° 254/16: SUPPLY CHAIN AND SUB-CONTRACTING CHAIN			
GRI 102: GENERAL DISCLOSURE	102-9 Supply chain	6. Products, customers and supply chain	
TOPIC OF ITALIAN LEGISLATIVE DECREE N° 254/16: REPORTING METHODOLOGY			
GRI 102: GENERAL DISCLOSURE	102-50 Reporting period	1. Introduction	
	102-52 Reporting cycle	1. Introduction	
	102-40 List of stakeholder groups	2. Materiality	
	102-46 Defining report content and topic Boundaries	2. Materiality	
	102-47 List of material topics	2. Materiality	
	102- 55 GRI content index	8. Appendix	
	102-56 External assurance	Report of the independent auditors	Consolidated Disclosures of Non-Financial Information were verified by the independent auditing company. The Disclosures have been submitted to the approval of the Board of Directors on 09/05/2019.