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

September, 2020

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.

For this - our third - COP, CLN Group attaches our Corporate Social Responsibility Report for 2020, which sets out our actions to improve the integration of the Global Compact and its business principles into our business strategy, culture and daily operations over the last three years.

We have shared this information with our stakeholders on the CLN Group website (www.gruppocln.com).

Sincerely yours

Beatrice Perris Magnetto
Member of the Board
CLN S.p.A.

C.L.N. Coils Lamiere Nastri S.p.A.
Corso Susa, 13/15 • 10040 Caselette (TO) • Tel. +39 011.9782.111 • Fax +39 011.9688.378 • +39 011.9688.972
Capitale Sociale Euro 235.000.000 i.v. • R.E.A n. 400722 C.C.I.A.A. To • M TO 000538 • Registro Imprese
C.F. 00521230011• P. IVA IT00521230011

Corporate Social Responsibility Report

April 2020

www.gruppocln.com

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1. Introduction

1.1 Basis for preparation

For the year ended 31 December 2018, CLN S.p.A. Group (hereinafter also referred to as the Group) was considered a Public Interest Entity and therefore required by law to make Non-Financial Disclosures within its Annual Report (Italian Legislative Decree 254/2016). During 2019 CLN Group lost the status of a Public Interest Entity (following the decision to delist its only tradable financial instrument), and therefore there is no requirement to make Non-Financial Disclosures in the 2019 Annual Report.

However, CLN Group has decided that a formal reporting of Corporate Social Responsibility and Sustainability ('CSR') issues is an important part of ensuring that these issues are given the high level of attention they require throughout the organization. Therefore, the Group has prepared this Corporate Social Responsibility Report (the 'CSR Report') in order to report on Group adherence to the principles outlined in the CLN Code of Ethics which was approved by the Board of Directors of the Group on 8 March 2016, and to explain Group activities carried out in support of the Ten Principles of the United Nations Global Compact. The CSR Report contains elements of the 2018 Non-Financial Disclosures, but changes have been made as regards both focus and data in order to better align with the priorities of the Stakeholders of the Group.

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

Where it is deemed useful to measure progress via metrics, the CLN Report includes data prepared in accordance with the Global Reporting Initiative guidelines published in 2016, known as 'GRI Standards', which are widely used for sustainability reporting. The Group has selected – upon a careful analysis of those available – the most suitable GRI Standards to provide information concerning its activities.

A workgroup has been created to draft the CSR Report, involving the heads of the various central departments in order to obtain complete and transversal information on the Group activities referred to herein.

The period of reference for the data provided in the CSR Report is 2019, but data concerning 2018 and 2017 have also been presented for comparative purposes. The CSR Report will be published on an annual basis as approved by the Board of Directors.

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The scope of analysis in this report is different from that included in the Non-financial Reporting of 2018, and includes the subsidiaries fully consolidated in the financial statements of the holding company CLN S.p.A., with the following exceptions:

- the joint ventures MA Automotive Brazil Ltda. and MW Jant Sanay Ticaret A.S., are included in the analysis of information concerning health and safety at the workplace and environment for the three-year period assessed, because the Group feels responsible for promoting EHS in those joint ventures;
- ITLA S.p.A., which was sold on 19 December 2019. The prior year HSE data have been adjusted to exclude ITLA and its operating subsidiary Itla Bonaiti for comparative purposes.

1.2 CLN Group

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

MA | automotive metal components division
MW | steel wheels division

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

CLN Group operates worldwide with subsidiaries in Italy, France, Germany, Poland, Romania, Slovakia, Portugal, Russia, South Africa and Brazil, as well as through several joint ventures. As at 31 December 2019, the Group had 7,300 employees.

Description of business activity

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

MA – the automotive metal components division - is a global supplier of metallic stamped parts, roll-formed components and assemblies for passenger cars and commercial vehicles.

MW – the steel wheels division – is a market leader in the sector of steel wheel manufacturing for passenger cars and light commercial vehicles.

Thanks to the use of innovative materials and processes, both divisions contribute to making vehicles lighter and thus reducing greenhouse gas emissions.

The Group also operates in the supply of flat steel products from service centers.

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Steel is the principle material used by Group companies. Steel is a raw material that – due to its characteristics – is the essence of sustainability, given that it is 100% recyclable, and may be recycled an infinite number of times.

The Group also uses large amounts of aluminium where this is feasible, in order to reduce the overall weight of the vehicle. As with steel, aluminium is easily recycled.

1.3 Corporate Governance

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

The main corporate governing bodies of the holding 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° 231/2001).

During their meetings Shareholders deliberate by way of majority vote concerning topics defined by law and by corporate charter. The choice of members of the Board of Directors and the Board of Statutory Auditors, as well as the approval of the Financial Statements, are decided at the Annual Meeting of Shareholders.

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

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

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

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

Board of Directors	2017		2018		2019	
Age	Male	Female	Male	Female	Male	Female
< 50 years	1	1	1	2	3	1
≥ 50 years	8	1	6	1	5	2

Board of Statutory Auditors	2017		2018		2019	
Age	Male	Female	Male	Female	Male	Female
< 50 years	1	2	1	2	2	1
≥ 50 years	2	0	2	0	2	0

C.L.N. S.p.A. Supervisory Board, nominated by the 5th May 2019 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° 231/2001 within the company. Its powers/activities include supervision of compliance with the above 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

Due to the increasing importance in society of topics related to CSR, CLN Group is undertaking a process of implementing a broad range of social and sustainability actions and has put in place the organizational structure required to manage the implementation of CSR.

The implementation of CSR is supported by the following main pillars:

- **Management Structure**
  CSR implementation is managed by a team working at Group level which includes representatives of all the main corporate departments to guarantee a common approach and suitable sharing of information and responsibility.

  The CSR team reports to:

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

  The CSR team includes a manager for each one of the following areas:

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- Environment
- Labor practices and Human Rights
- Sustainable procurement
- Ethics
- Customer requirements
- Finance
- KPIs/CSR metrics
- MA and MW Divisions

In order to cascade CSR requirements into the regions, CSR interfaces have been nominated in each of the following countries:

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

- **CSR indicators**

  The Group has implemented several indicators related to CSR topics in order to monitor the implementation of CSR and measure the environmental impacts of the Group, and to set targets where appropriate.

  The following indicators are monitored at Group level on a monthly or trimestral basis:

  - HR (human resource) indicators: classification of the personnel by gender, age, job level and contract type; training hours, including those associated with the CSR initiatives such as on Ethics and HSE issues.
  - HSE (health, safety, environment) Indicators: frequency and severity indicators for injuries, energy and water consumption, CO_2 emissions, waste management.

  The evolution of such indicators is assessed by Group Management and by the Board member assigned to the supervision of CSR-related topics.

  It is the objective of the Group to put in place new indicators as and when they help with the expansion of the CSR effort. To this end, during 2020 the team is planning to implement two new indicators – Water recycled/reused and Electrical energy from renewable sources.

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- **Policies and procedures**: Implementation of policies related to CSR topics, and follow up of implementation in the Group.
  The following fundamental policies have been issued to date:

  - Health and safety
  - Environment
  - Equality and diversity
  - Labour and human rights
  - Whistleblowing
  - Water
  - Accidental pollution
  - Working conditions
  - Gifts and entertainment

  Most of these policies may be consulted and downloaded on the Group website.

- **CSR assessment performed by clients**: Management of assessment/audit processes required by Group customers and improvement of ratings.
  On a periodic basis the Group or one of its subsidiaries is assessed by means of specific questionnaires or audit. Those organizations include:

  - NQC for German customers
  - SSSA for FCA
  - Ecovadis for French customers
  - Intertek for Audi

  For these assessments/audits the Group has the following objectives:

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

- **Subscription to specific CSR organizations**: Selection and promotion of national and international projects relevant to CSR objectives of the Group.

  In this respect the Group continues to report progress each year in support of the United Nations Compact. The annual CLN Communication on Progress was submitted in September 2019 and can be seen at https://www.unglobalcompact.org/what-is-gc/participants/130791#cop

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The Group joined the ResponsibleSteel initiative which aims to set new global standards for the supply chain for industries using steel - https://www.responsiblesteel.org/

- **Supply chain:** Promotion of CSR with the supply base and progressive alignment of suppliers' compliance with Group requirements
  The Group is increasing pressure on its suppliers to meet a high level of CSR compliance, with two main initiatives:

  1. Requirement 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. Specific questionnaires in order to understand the level of CSR implementation.

  It is the Groups goal to start the roll out of new Group terms and conditions to suppliers during 2020, including conditions regarding CSR.

- **Training:** Training of Group employees on CSR-related policies.
  For this purpose, specific Group training courses have been developed covering a broad range of CSR topics.

2. CSR topics

2.1 Index of topics

Topics dealt with in the CSR report are reported on under the headings listed below:

Values
- Corporate values and reputation
- Ethics and the fight against active and passive corruption

People
- Health and safety at the workplace
- Relationships with labor unions
- Human rights and equal opportunities
- Privacy
- Personnel training

Environment
- Energy efficiency
- Emissions management
- Scrap and waste management
- Water management
- Environmental certifications
- Environmental Targets 2019

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Customers and Supply chain

- Customer satisfaction
- Supply chain

Social aspects and relationship with the local context

- Social initiatives
- Cooperation with Universities

3. Values

The Group is committed to promoting ethical and responsible behavior and to ensure that its employees work in compliance with its Code of Ethics and CSR policies.

3.1 Corporate values and reputation

In March 2016 the Board of Directors of the Group approved the CLN Group Code of Ethics. The Code of Ethics sets out a series of ethical principles and a code of conduct that serve as a guide for its activities and those of its subsidiaries, with the purpose of promoting a strong ethical foundation and a corporate culture which respects the laws in force in the different countries in which it operates. Senior management of each region is periodically formally required to confirm to the CEO of the Group that the Code of Ethics and supporting policies continue to be respected in their region. In early 2020 100% of the regions of the Group confirmed:

- The CLN Group Code of Ethics and CLN CSR Policies have been translated into local languages
- The CLN Group Code of Ethics and CSR Policies have been implemented in all plants or other CLN Group businesses
- Appropriate training has been undertaken, or is being undertaken to ensure that the CLN Group Code of Ethics and CLN CSR Policies are understood

The Code of Ethics is available in all the main languages used in the Group and can be downloaded from the Group website https://www.gruppocln.com/en/csr

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.

The Group and its employees 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. To this end the CSR team has developed several training courses during 2019 in order to further reinforce the understanding of ethics issues, as follows:

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- Training on Anti-competitive behavior
- Training on Ethics and compliance dilemmas
- Training on Gifts and entertainment
- Training on Corruption

These training courses will be carried out in the regions during the 2020 road show.

In order to ensure training on ethics issues is carried out in all Group subsidiaries, the total amount of training on Ethics issues is required to be reported to Group HR on a quarterly basis as from December 2019. This will allow the CSR team to identify those subsidiaries which may not have a good understanding of the topic.

Whistleblowing Policy

The Group has a specific Whistleblowing Policy, based upon which the employees are given the possibility to anonymously report concerns of unsuitable corporate conduct to a Whistleblowing Committee comprised of three senior executives of the Group.

This policy applies to all CLN Group employees worldwide, including part-time, short-term, or contract workers. The policy is intended to cover serious concerns that could have a large impact on the CLN Group, such as actions that:

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

During 2019 the Whistleblowing Committee dealt with 5 cases of Whistleblowing. A summary of the actions taken in this regard was reported to the CEO of the Group on 8 January 2020.

Furthermore, the CSR team can confirm:

(Disclosure: 419-1, 205-3)

Significant fines for noncompliance with laws and regulations in the social and economic context	In 2019, 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 2019, as in previous years, no cases of or losses ascribed to the "corruption and bribery" category have been recorded.

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4. People

CLN Group is comprised of a multicultural group of employees: about 7,300 individuals in total (counting C.L.N. S.p.A. and its subsidiaries within the scope of consolidation) as at December 31st, 2019. Out of these, 19% work in Italy – which hosts the Group headquarters and most of the central technical and commercial offices supporting the production plants – 31% work in Poland, 22% in South Africa, 13% in France, 6% in Germany, and the remaining 9% in Portugal, Romania, Russia, and Slovakia.

GRI Disclosure 405-1 Personnel by age group (n°)	2017			2018			2019		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
< 30 years	653	102	755	676	97	773	655	113	768
30-39 years	1,736	275	2,011	1,649	264	1,913	1,561	260	1,821
40-49 years	2,066	285	2,351	2,166	297	2,463	2,066	302	2,368
50 years and above	2,054	355	2,409	2,182	376	2,558	1,995	353	2,348
Total	**6,509**	**1,017**	**7,526**	**6,673**	**1,034**	**7,707**	**6,277**	**1,028**	**7,305**

GRI Disclosure 102-8 Personnel by geographic area (n°)	2017			2018			2019		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Europe	4,909	707	5,616	5,091	722	5,813	4,779	699	5,478
South Africa	1,388	291	1,679	1,395	287	1,682	1,321	305	1,626
Rest of the World	212	19	231	187	25	212	177	24	201
Total	**6,509**	**1,017**	**7,526**	**6,673**	**1,034**	**7,707**	**6,277**	**1,028**	**7,305**

GRI Disclosure 405-1 Personnel by category (n°) - Europe	2017			2018			2019		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Directors	87	16	103	93	14	107	79	13	92
Employees	895	342	1,237	953	376	1,329	894	349	1,243
Manual workers	3,927	349	4,276	4,045	332	4,377	3,806	337	4,143
Total - Europe	**4,909**	**707**	**5,616**	**5,091**	**722**	**5,813**	**4,779**	**699**	**5,478**

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GRI Disclosure 405-1 Personnel by category (n°) - South Africa	2017			2018			2019		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Directors	6	0	6	6	0	6	5	0	5
Employees	136	28	164	169	32	201	134	57	191
Manual workers	1,246	263	1,509	1,220	255	1,475	1,182	248	1,430
Total - South Africa	**1,388**	**291**	**1,679**	**1,395**	**287**	**1,682**	**1,321**	**305**	**1,626**

GRI Disclosure 405-1 Personnel by category (n°) - Rest of the World	2017			2018			2019		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Directors	0	0	0	0	0	0	0	0	0
Employees	38	15	53	38	20	58	37	19	56
Manual workers	174	4	178	149	5	154	140	5	145
Total - Rest of the World	**212**	**19**	**231**	**187**	**25**	**212**	**177**	**24**	**201**

At the end of 2019, employees hired on long-term contracts represented 91% of the total number.

GRI Disclosure 102-8 Hired personnel (n°)	2017			2018			2019		
Contract type	Male	Female	Total	Male	Female	Total	Male	Female	Total
Long-term	6,073	928	6,996	6,125	947	7,072	5,707	928	6,635
Fixed term	436	94	530	548	87	635	570	100	670

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During 2019, the number of employees decreased by 402 people. In 2019 the turnover rate was equal to 0.18.

GRI Disclosure 401-1 Hires and resignations (n°)	2018			2019		
	Male	Female	Total	Male	Female	Total
Personnel as at 1/1	6,509	1,017	7,526	6,673	1,034	7,707
Hired employees	506	72	578	522	116	638
Resigned employees	(342)	(55)	(397)	(594)	(111)	(705)
Changes in scope of consolidation (*)	0	0	0	(324)	(11)	(335)
Personnel as at 31/12	**6,673**	**1,034**	**7,707**	**6,277**	**1,028**	**7,305**

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

In January 2020 the Group introduced a new policy on Working Conditions in order to set out clearly the Group principles regarding matters affecting labour in the workplace. The purpose of the policy was to eliminate any doubts in the Group regarding the minimum working conditions expected in CLN Group companies, and covered the following aspects:

- Transparent communication
- Full compliance with local legal requirements
- Employee satisfaction survey
- Compensation for atypical or extraordinary work
- Remuneration process communicated to employees
- Granting of annual paid leave
- Rest periods
- Flexible organization of work
- The right to collective bargaining regarding working conditions
- Forced labour, child labour and young workers

Respect of the CLN Policy on Working Conditions is mandatory for all Group companies.

4.1 Health and safety at the workplace

The topic of health and safety at the workplace has been one of the Group's main priorities for many years.

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The approach to H&S is set out in the Group's Health and Safety Policy. Performance is monitored on a monthly basis at Group level and at each CLN Group Board meeting.

GRI Disclosure 403-2	2017	2018	2019
Frequency Rate (n° accidents/n° hours worked)	3.70	3.26	3.25
Gravity Rate (n° days of absence due to injury/n° hours worked)	0.11	0.11	0.12

Training and employee involvement are considered the most important factors 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 2019, over 45,000 hours of training concerning the environment, health,and safety at the workplace were provided. Every day and at all plants employees are reminded of safety - for example many attend '5 minutes for safety', a field-training session calling the attention of workers on specific topics.

The Group believes that a high level of H&S requires formal certification and has therefore set a target for 80% of the plants to become certified under OHSAS 18001/ISO 45001 over the next few years. As at 31 December 2019 64% of the plants had achieved certification, compared to 56% of the plants at 31 December 2018. Additional certifications are planned in the plants in Cassino, Treuen and Bremen during 2020. 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 critical issues.

4.2 Relationships with labor unions

As at December 31st, 2019, about 73% 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°)	2017			2018			2019		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Total employees	6,509	1,017	7,526	6,673	1,034	7,707	6,277	1,028	7,305
Employed through collective bargaining agreements	5,029	738	5,767	5,043	724	5,767	4,687	661	5,348
Total	**77%**	**73%**	**77%**	**76%**	**70%**	**75%**	**75%**	**64%**	**73%**

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

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

In the past few years the Group has not faced any major incidents of social unrest or unilateral actions, such as strikes, except for actions related to national-level negotiations, such as joining general strikes.

4.3 Human rights and equal opportunities

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

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 and the Group Equality and Diversity policy

4.4 Privacy

CLN Group is conscious of the increasing attention required by companies in order to guarantee the privacy of its employees and associates. This is particularly the case following the European Regulation on the Protection of Personal Data, commonly known as GDPR. In early 2019 therefore, the Group Data Protection Handbook was formalized. The Handbook sets out the rules for CLN Group companies to comply with the European Regulation and is being rolled out across the Group. A Data Protection organization chart has been formalized to monitor progress and compliance.

CLN Group IT department has designed specific training modules for both GDPR and Cyber Security, which will used throughout the Group during 2020.

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The region of Poland has gone a step further and implemented ISO27001 in all the plants in the region. ISO27001 is a globally recognized information security management system so Group IT will be assessing the Polish experience in order to decide whether ISO27001 should be extended to any other Group companies

4.5 Personnel training

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

For this purpose, the Group has offered about 218,000 hours of training in 2019.

GRI Disclosure 404-1 Hours of training offered (n° of hours)	2017			2018*			2019		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Directors	1,038	111	1,148	1,077	268	1,345	942	267	1,209
Employees	26,233	6,793	33,026	50,870	26,125	76,995	43,458	15,315	58,773
Manual workers	78,935	17,255	96,190	171,303	13,905	185,208	137,799	20,258	158,057
Total	**106,205**	**24,159**	**130,364**	**223,250**	**40,298**	**263,548**	**182,199**	**35,840**	**218,039**

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

GRI Disclosure 404-1 Average hours of training by category (n° of hours)	2017			2018			2019		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Directors	11	7	11	11	19	12	11	21	12
Employees	25	18	23	44	61	48	41	36	40
Manual workers	15	27	16	32	23	31	27	34	28
Total	**16**	**24**	**17**	**33**	**39**	**34**	**29**	**35**	**30**

Due to the Group being involved in manufacturing, the biggest portion of training carried out is to enhance technical-professional skills. During 2020, however, the Group is increasing the emphasis on CSR training by setting stronger targets on the level of training hours expected in Health Safety & Environment and in Ethics.

To this end, specific in-house training courses have been prepared on several important topics, as follows:

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- An introduction to CSR
- Corruption
- Gifts and entertainment
- Anticompetitive behavior
- Ethics and compliance
- Cyber security awareness

The training of senior management is carried out by way of a Road Show by CSR team members in the different regions of the Group. The regional CSR representative is then responsible to cascade these training modules in their regions. This approach should lead to more hours of training in Health Safety & Environment and in Ethics during 2020.

Type of training offered (n° of hours)	2017			2018			2019		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Technical-professional skills	59,058	13,920	72,978	86,025	15,632	101,657	79,858	16,232	96,090
Health, Safety and Environment	26,303	4,770	31,073	36,806	4,126	40,932	40,212	5,178	45,390
Management skills	7,917	887	8,804	59,511	12,335	71,846	35,066	6,616	41,682
Ethics	-	-	-	4,810	851	5,661	5,018	1,220	6,238
Other types	12,927	4,581	17,509	36,098	7,355	43,453	22,044	6,594	28,638
Total	**106,205**	**24,158**	**130,364**	**223,250**	**40,299**	**263,549**	**182,198**	**35,840**	**218,038**

5. Environment

The production carried out at Group facilities includes a wide range of metal manufacturing processes:

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

Such processes can have an adverse effect on the environment if not properly monitored and controlled and have a relatively high level of greenhouse gas emissions.

The Group carries out its activities in full compliance with current legislation and standards and commits to promote activities which can reduce or offset environmental impacts arising from its manufacturing processes.

The Group has a central department responsible for HSE with a specific are focus on:

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- guaranteeing compliance with environmental legislation and international standards for environmental protection;
- defining and implementing action and control plans for environmental protection;
- improving corporate performance by regularly monitoring environmental indicators and the impacts of the Group's activities;
- providing corporate management with an efficient and effective system to allow timely management of new environmental issues and to support 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 environmental contamination;

Guidance on environmental issues is given via the Group's policies on Environment, Water and Local & Accidental pollution.

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 on a monthly basis.

5.1 Energy efficiency

In 2019, the Group's energy consumption was about 1.4 million GJ, slightly below the level of 2018.

GRI Disclosure 302-1 *(GJ)*	2017	2018	2019
Electrical energy consumption	875,484	884,826	845,706
Fuel consumption (*)	502,540	494,135	519,407
Total energy consumption	**1,378,024**	**1,378,962**	**1,365,113**

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

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.

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GRI Disclosure 302-3 (MJ/h)	2017	2018	2019
Electricity Intensity Rate (Total energy consumption x 1000/Standard hours)	130	127	123
	2017	**2018**	**2019**
Fuel Intensity Rate (Total energy consumption x 1000/Standard hours)	116	104	116

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 several "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.

During 2019 the Group has made a big effort to migrate towards energy contracts which are derived from green/renewable sources. To this end, several energy contracts have been changed and this has allowed some regions to have a high level of energy from green sources going forward. The following regions have shown significant increases in their use of energy from green sources: Brazil (100% from green sources); Germany (92%); Romania (39%) and Turkey (35%). The Group will continue to migrate towards such green sources, although some countries such as South Africa and Poland have few sources of such energy available. For France the Group companies are largely relying on nuclear energy which has a low level of greenhouse gas emissions. In order to help the Group have clear targets to support this initiative, a new GRI indicator is being introduced in 2020 to measure the energy from renewable sources compared with energy derived from non-renewable sources.

The "Energy efficiency project" launched by the MA Division continues to encourage production plants to engage in projects such as LED installation, energy efficient equipment, compressed air maintenance etc. and these projects are reviewed centrally on an annual basis in order to spread the best ideas across the plants. An example of such a project during 2019 was the introduction of a new vacuum system which considerably reduced compressed air use in the plants Chivasso, Tychy, Kielce and Melfi.

The Group is looking at several feasibility projects for the introduction of Solar Power. A test project was launched for a 500kW system in Melfi in late 2019 and several projects are

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at the stage of economic analysis in the plants of Chivasso, Cassino, Bremen, MA Brazil and Kielce.

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 plants, and to launch related initiatives that may contribute to the European Union's Paris Agreement to limit global warming to below 2°C compared to pre-industrial levels.

In 2019 direct and indirect greenhouse gas emissions recorded amounted to 29,000 metric tons of carbon dioxide equivalent in line with the growing production output and fiscal year results recorded.

GRI Disclosure 305-1 (SCOPE 1 - tCO_2e)	2017	2018	2019
Direct CO_2 emissions (metric tons of CO_2 equivalent)	17,152	18,986	18,539

GRI Disclosure 305-2 (SCOPE 2 - tCO_2e)	2017	2018	2019
Indirect CO_2 emissions (metric tons of CO_2 equivalent)	11,166	11,461	10,669

SCOPE 1+2 (tCO_2e)	2017	2018	2019
Total direct and indirect emissions	28,319	30,447	29,208

The relationship between CO_2 emissions and working hours is 4.1 kg/h in 2019, broadly in line with the value of 4.0 kg/h recorded in 2018.

The Group promotes the use of compensation measures for its greenhouse gas emissions. For example, 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. During 2019 a campaign was launched in order to increase the area around the plants allocated to such green spaces. As a result, a total of over 20,000 sqm was dedicated to greening, with over 1,200 trees planted. For 2020 the Group has targeted planting an additional 1,000 young trees in order to make the green areas richer in absorption of CO_2.

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In June 2019 Mercedes requested support from the Group for their 'Ambition 2039' project. The Ambition 2039 project aims for Mercedes and their entire supplier base to be CO_2 neutral by 2039 worldwide and by 2022 in Europe. Mercedes require their suppliers to follow this ambition by showing transparency on their CO_2 footprint. CO_2 will be a supplier awarding criteria for future awards of business. Mercedes have therefore requested that in 2020 the Group presents them with:

- CLN Group strategic goals and a roadmap for achieving these goals
- CLN Group data on CO_2 emissions

This will be a key focus of the Group in the next few years.

CLN actively encourages its subsidiaries to reduce the emissions from transport. To this end our purchasing colleagues ensure:

- Carpooling projects are promoted where the local legislation allows it, as was the case in Brazil;
- Fleet cars are purchased to Euro 6 level;
- CLN logistics suppliers have a very high level of compliance of Euro V and VI

5.3 Scrap and waste management

Steel, which is by far the raw material most utilized by the Group, is the most recyclable and recycled material in the world, since it is one of only few materials that does not lose its properties when it is recycled. 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 the main scrap material in manufacturing processes carried out at the Group plants. During 2019, the Group has re-sold about 300,000 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 hazardous waste (mainly waste oil and paint). Such waste amounted to 3,736 metric tons in 2019 - 9% less than the previous year.

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Metal scrap and hazardous waste (metric tons)	2017	2018	2019
Metal scrap re-sold for recycling (non-hazardous waste)	N/A	395,501	307,360
Hazardous waste	3.347	4,127	3,736

In order to focus the Group more consistently on recycling materials that have reached the end of their useful life in and to raise awareness of the scarcity of resources in the world, a new policy has been introduced in early 2020 for Material End of Life. The policy requires the management of such materials in a responsible manner with a focus on areas of concern such as wooden packaging, plastic wrapping, effluent reuse. The target is to increase the percentage of recycled waste and to replace materials which cannot be easily recycled with those that can. The Group has started to measure the percentage of recycled waste in order to check the success of this policy.

Recycled waste percentage (Disclosure 301-3)	2017	2018	2019
Recycled waste percentage	N/A	78.3%	95.5%

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

CLN actively encourages its subsidiaries to undertake wide ranging waste management projects, and CLN head office takes the initiative to spread best practices across the subsidiaries. In some cases - such as separation of paper, carton, metals, glass in offices and plants – these best practices are now the norm. There is however a long list of new ideas received during a Waste Management Project 2019 initiative taken by MA which are in the process of being spread across the group.

5.4 Water management

Metal manufacturing and painting sites require the use of water in the cooling process, washing of parts, as well as water used for civil purposes. An uncontrolled use of water causes negative environmental impacts, such as the reduction in water resources and the modification of natural ecosystems. 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 2019 the Group has used 542,000 m^3 of water, a 6% reduction compared to the previous year.

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Water consumption (Disclosure 303-1) (m^3)	2017	2018	2019
Water used	652,076	575,754	542,120

The "Water efficiency project" launched by the MA Division continues to encourage production plants to engage in substantial water efficiency actions, and these projects are reviewed centrally an annual basis in order to spread the best ideas across the plants. The main elements of the project are the following:

- Improvement of measurement and monitoring;
- Maintenance activities to reduce waste, eliminate leaks and improve equipment efficiency;
- Training and awareness campaigns;
- Sewerage treatment and water reuse initiatives;
- Rainwater harvesting initiatives.

The Water Stressed Areas project using the Aqueduct Water Risk Atlas tool showed considerable risks to the site operating in the Port Elizabeth area (South Africa) in 2018. The immediate crises has been alleviated by good rainfall during 2019, but long term the risk remains high despite remedial actions by the South Africa authorities such as connecting the Port Elizabeth water supply to the Gariep dam, which is the largest in South Africa. Therefore, the Group continues to monitor the situation carefully

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

5.5 Environmental certification

It is Group policy that the plants are subjected to external audit to verify the efficiency of their environmental management system. Therefore, the Group aims to have an increasing number of Group facilities accredited for ISO 14001:2015 certification each year, with the final target to have over 90% certified by 2021. As at 31 December 2019 89% of the Group facilities has earned an ISO 14001:2015 certification, which is aligned with the target for 2020. During 2020 the plant in Cassino is planning to undertake certification.

5.6 Environmental targets 2019

The environmental targets for improvement during 2020 have been set for each company in the CLN Group, in general within the following ranges:

Water use -2% to -10% vs 2019

Electrical energy use -2% to -10% vs 2019

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Heating use	-2% to -8% vs 2019
Non-hazardous waste	-2% to -10% vs 2019
Hazardous waste	-2% to -8% vs 2019

6 Customers and supply chain

6.1 Customer Satisfaction

The Group places a high level of attention on customer satisfaction by putting a lot of effort into complying with the various customer audits of CSR/sustainability. These audits are very useful as a guide to overall progress and provide a good checklist of potential improvements.

As at 31 December 2019 the results of the customer audits are as follows:

- Ecovadis (for Renault/PSA) – Gold rating. The target for 2020 is to maintain Gold rating.
- SSSA (FCA) – Score 74.98. The target for 2020 is to be in the range 80-85.
- NQC (German customers) – All 15 plants requested have satisfactorily completed the audit with no major issues
- Intertek (Audi on site audit) - All 4 plants requested have satisfactorily completed the audit with no major issues

As of the date of this report, the Group has fulfilled all the CSR/Sustainability assessments/audits requested by its customers.

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

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Purchases of raw materials (steel and aluminum in particular) are carried out through a limited number of large multinational manufacturers, or directly from the end customer via a "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 regions 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 2019 was about 1,283 million euros.

GRI Disclosure 102-9 Value of raw materials and direct goods and services purchased by geographic area (€/Mln)	**2017**	**%**	**2018**	**%**	**2019**	**%**
Europe	800	60.7%	819	59.9%	769	59,9%
South Africa	198	15.0%	241	17.6%	226	17,6%
Rest of the World	14	1.1%	8	0.6%	8	0,6%
Total raw materials (a)	**1,012**	76.8%	**1,068**	78.1%	**1,002**	78,1%
Europe	284	21.5%	285	20.8%	267	20,8%
South Africa	11	0.8%	12	0.9%	11	0,9%
Rest of the World	11	0.8%	2	0.1%	2	0,1%
(b) Total direct goods and services for production purposes	**307**	23.3%	**299**	21.9%	**281**	21,9%
Total (a+b)	**1,318**	100.0%	**1,367**	100.0%	**1,283**	100,0%

Purchases related to plant, machinery, and tooling/dies represent a spot form of purchase carried out with multinational players that may be located anywhere in the world. Purchases in plant and machinery amounted to about 121 million euros in 2019.

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.

One of the key challenges facing the Group is how to ensure its suppliers engage with a CSR or Sustainability process. In prior years the approach was to send a CLN Guidance Letter to suppliers which included a Supplier Commitment section, and to send suppliers a Sustainability Questionnaire. CLN Suppliers are expected to:

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- comply with local legislation
- implement suitable governance dedicated to CSR
- commit to promoting CSR to its supplier pool

As at 31 December 2019, a Commitment Letter has been sent to 615 suppliers chosen because of their importance to the Group. Approximately 65% of these suppliers have replied confirming their commitment to CSR. It is worth noting that for suppliers of capital goods, steel, aluminium and transport the level of commitment is over 80%. Smaller suppliers and indirect suppliers have a rather low commitment rate which the purchasing group will address going forward.

The Sustainability Questionnaire has been sent to 395 suppliers as at 31 December 2019 in order to gauge the level of CSR within their organizations. The level of scoring varies greatly from one supplier to another – for example steel and aluminium suppliers score very highly whilst suppliers of capital items score quite poorly.

The CSR team has decided that these written confirmations and questionnaires do not suffice because of the suppliers who are not replying and the low score in certain groups of suppliers. Therefore, during 2020, the Terms and Conditions of suppliers will be amended to include contractual Business Ethics and Corporate Responsibility clauses on:

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

These revised Terms and Conditions will be rolled out during 2020 and 2021 and will allow the Group to withdraw from the supply contract in the case of non-compliance.

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

The central purchasing team has made a big effort during 2019 to share CSR requirements throughout the subsidiaries and to upgrade general knowledge on the issue. For example, during 2019, 100% of CLN Group employees involved in purchasing completed the AIAG Supply Chain Sustainability e-Learning module in order to ensure that they had the basic understanding of sustainability issues.

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7. Social initiatives and relationship with local context

The Group has always put effort in supporting social, health, and cultural/natural heritage initiatives in the regions in which it is present. Furthermore, the Group is active in support of new start-up companies, usually linked to university institutions and which are aligned to the Group in terms of core values.

7.1 Social initiatives

The Group makes donations and contributions to organizations operating in Italy in the fields of social welfare, medical research, and the safeguard of cultural/natural heritage. Some examples of such organizations are as follows:

- **FAI**: a not-for-profit foundation with the aim of protecting and promoting Italian historic, artistic, and natural heritage.
- **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.
- **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.
- **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.
- **Pacefuturo ONLUS**: starting officially in 2004, it has been managing Villa Piazzo in Pettinengo (Biella) since 2006 and operates in the cultural and peace sectors;
- **Caritas Diocesana** - Diocese of Turin: has the function of promoting charity and welfare initiatives across the diocese.
- **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;
- **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.

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There are also various fundraising activities promoted by the Group's foreign branches, for example:

- **Romania**: MW Romania regularly supports Fondazione Procarione, a foundation that, among other initiatives, contributes to supporting the Drăgășani hospital.
- **Poland**: MA Polska supports the following entities:
  - Dom Dziecka w Sieborowicach, a foster home in Sieborowice:
  - Społeczne Stowarzyszenie Hospicjum in Tychy, an organization helping terminal oncology patients;
  - Unia Oświęcim local hockey club, for the purchase of youth equipment.
- **Germany:** MA Automotive Deutschland supports, by means of donations certain early childhood schools attended by the sons of the employees living in the area where the facility is located.
- **Russia:** MW Kingisepp participated in an environmental project whereby young fry were released in Lake Ladoga sponsored with the Federal State Budgetary Institution, in order to replenish the population of fish in the lake;
- **South Africa:** MA Automotive South Africa supports a wide range of social development projects, including numerous initiatives related to the field of education. For example, MA Rosslyn has taken on some bright young people from the Alexandra Township who are trained by the Sizanani Organization in IT skills. These young people then clear data from old computers in Rosslyn plant so they can be donated to the community.
- **Slovakia:** CLN Slovakia sponsors a cultural event entitled 'Much Love' in the House of Culture in Štós for mentally and physically disabled children in Eastern Slovakia;
- **Brasil:** MA Brasil sponsors the education of 30 students annually in a partnership with SENAI, a Brazilian non-profit organisation. MA Brasil also participated in the event 'SER HUMANO 2019' to break down barriers between people and business, and submitted a project which integrated family, students and local society into the reality of a manufacturing business like MAB; MAB qualified as a finalist for the project.

7.2 Cooperation with Universities

The Group, has continued to cooperate in several specialized projects with universities and private research centers:

- **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.

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- **I-FEVS**: projects funded by the European Community in the context of proposals related to sustainable transport.
- **BeonD**: a business in which CLN owns 10% which was established within the Department of Mechanical and Aerospace Engineering at the Turin Polytechnic to produce an innovative light electric vehicle platform prototype;
- **Fondazione Agnelli – CDILabs**: foundation for the identification of international innovative start-up companies.
- **UERJ University:** the project 'Projectos de Aprendizagem' is an innovative partnership between MA Brasil and UERJ to integrate the company into the university syllabus;

April, 2020

On behalf of Board of Directors

Beatrice Perris Magnetto

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

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