



# CLARIOS

ENVIRONMENTAL, SOCIAL & GOVERNANCE REPORT | 2020

***POWERING  
TODAY, INTO  
TOMORROW.***





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**MARK WALLACE**

Clarios CEO



## CEO LETTER

I became the CEO of Clarios a little over a year ago. One of the things that drew me to Clarios was the company's commitment to sustainability and its proven leadership in the circular economy.

We design, manufacture, recycle and recover the materials in vehicle batteries using a closed-loop system. Our batteries are designed so that up to 99% of the materials can be responsibly recovered, recycled and repurposed directly into new batteries. Our scale, global footprint and commitment to sustainability enable us to lead the industry, drive innovation and deliver greater value to customers and consumers.

I joined Clarios just as the COVID-19 crisis emerged. Our role supporting both our local communities as well as our global community could not have been clearer. Overnight, I watched our company and our supply chains rally and respond to fast-changing and deeply ambiguous business conditions. What struck me most at that time was how essential batteries are to every aspect of our daily lives, particularly to the COVID-19 response effort. If we don't make batteries, first-responder vehicles don't move, food and medical supplies don't reach their destinations, and essential employees can't get to work.

Our company recognizes that the pandemic is not the only global crisis. Sustainability and environmental protection – particularly in relation

to climate change – demand innovative action now from businesses as well as governments. Our efforts must deepen our continued commitment to keeping our people and communities safe while building a stronger, more diverse and transparent company. That's why one of my first actions as CEO was to announce our ambitious [Clarios Sustainability Blueprint](#) to guide all aspects of our business.

Our first key step was to recommit to the United Nations Global Compact (UNGC). Next, we completed a landscape assessment of stakeholder expectations and best practices, and we benchmarked our current initiatives and programs to develop our first enterprise environmental, social and governance (ESG) disclosure as part of our commitment to transparency. This disclosure combines our annual, formal communication on progress (COP) as participants of the UNGC with a broader overview of our sustainability efforts.

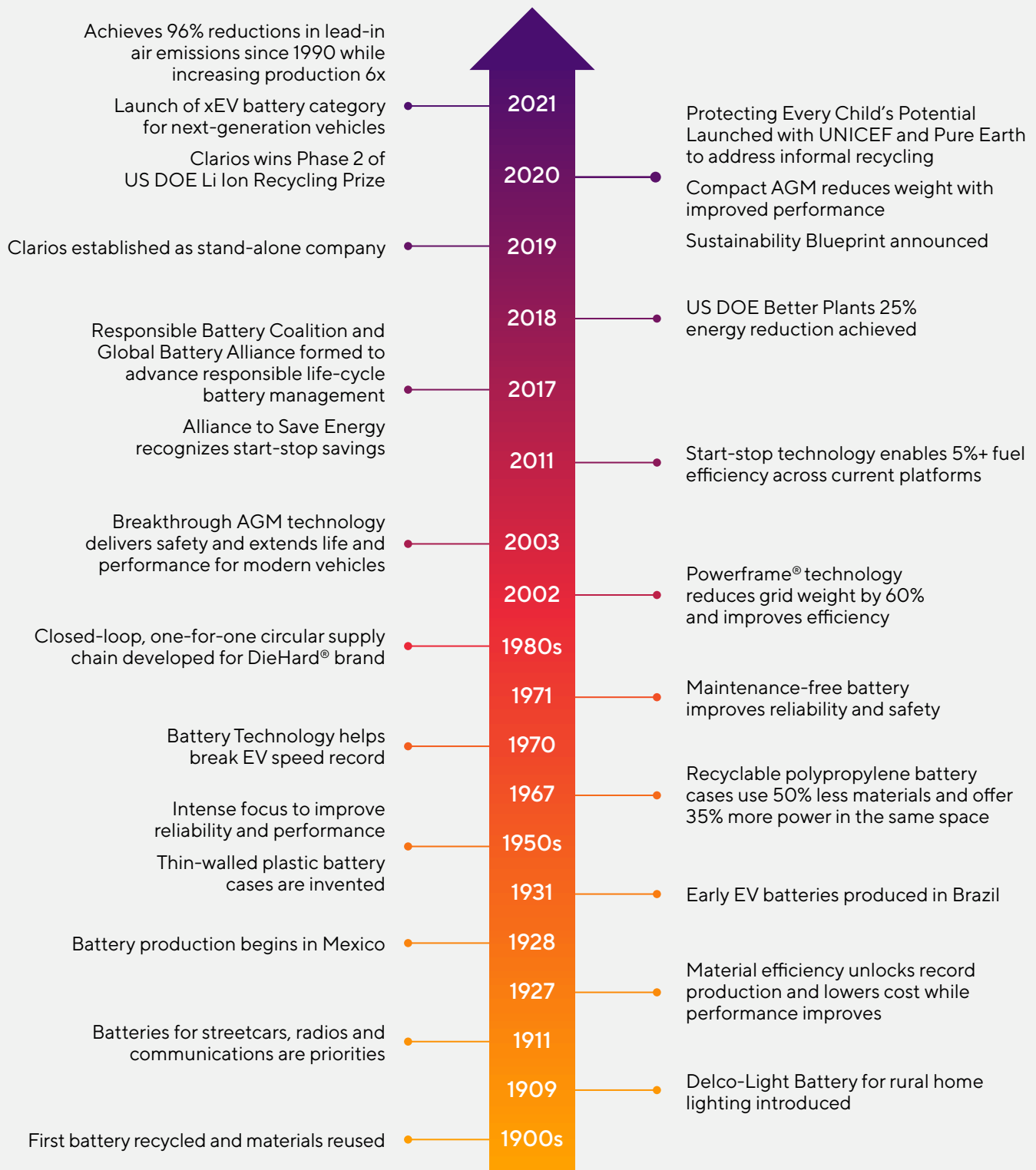
Moving forward, we are focused on implementing our Sustainability Blueprint and what is required to achieve our ambitions. The choices we make along the way say a lot about us as individuals and as an organization. We want to be known for making the right choices – ones that support growing a company we can be proud of – and operating in a responsible and sustainable manner.

This is how we build a better, safer and stronger company, and it is how we will leave the world better than we found it.

# OUR JOURNEY

Our ESG journey dates back to the earliest days of our company. Guiding the next stage of our journey is our Clarios Sustainability Blueprint, a road map to build a better, safer, stronger company. Through these efforts, we can unlock unparalleled capabilities in battery

innovation, design, materials sourcing, manufacturing, distribution, the circular economy and recycling. We believe that our efforts to exceed industry-leading environmental and safety standards globally have been a key driver of our success.





# COMPANY BACKGROUND

As the maker of more than one out of every three low-voltage vehicle batteries in the world, Clarios is dedicated to creating the most advanced battery technologies for virtually every type of vehicle. We are experts in battery applications and the systems that rely on them, and we serve as a pioneer of the circular economy for these products.

Our batteries provide reliable, essential, low-voltage power to a full range of propulsion technologies and will remain critical with the transition of the global transportation network from internal combustion engines (ICE) to hybrids and electric vehicles (EV). Our batteries support a range of functions critical to vehicle performance, from the more traditional roles of engine starting, ignition and supporting key-off loads to more demanding emerging functions such as start-stop, advanced driver assistance systems (ADAs), over-the-air software updates and autonomous driving.

We are an industry leader in smart energy-storage solutions and innovative advanced battery technologies. Our goal is to pursue growth opportunities at the intersection of sustainability and cutting-edge technology, such as enabling the global car parc's electrification with advanced batteries, expanding the recycling of lithium-ion batteries, and identifying solutions to increase fuel economy and reduce emissions.

Drawing on our history and traditions, Clarios pioneered an innovative circular economy for battery design, production and recycling. This decades-long commitment to the environment and sustainability continues, and our philosophy on the battery life cycle informs our approach to all facets of operations. This foundation will be a critical competitive advantage as we seek to adapt to the changing business landscape and customer expectations.

We continue to evolve with our customers in an expanding marketplace. As the shift toward electrification accelerates, we are ready to meet increased energy-storage demands with solutions that deliver sustainable next-generation performance. The role of the battery is more crucial than ever as electric vehicles require more power and critical safety to meet the growing demands of consumers, automakers and regulators.

Clarios is working to meet the challenges of the future through our products, our processes, our supply chain and our customers' goals. Transparency is key to our success, which is why we are aligning our 2021 disclosures with the Sustainability Accounting Standards Board (SASB) framework. We're also committed to deepening our efforts on climate-related risks and aligning in subsequent reports with principles of the Task Force on Climate-Related Financial Disclosures (TCFD) framework.

## UNITED NATIONS GLOBAL COMPACT

*Clarios is proud to have renewed our commitment for 2021 as a participant of the United Nations Global Compact. We are committed to aligning our operations and strategies with the Compact's Ten Principles that cover the topics of human rights, labor, health and safety, the environment and anti-corruption.*



## **ENVIRONMENT: LEADING THE CHARGE FOR SUSTAINABLE BATTERIES ON A GLOBAL SCALE**

We believe that being a good environmental steward isn't a constraint but smart business. Clarios has built a proven track record of minimizing the environmental impact of and waste from our operations. Our continued vigilance positions us to build on these successes and achieve further improvements in the coming years.

### **PROMOTING A CIRCULAR ECONOMY**

Every year, more than 75 million new vehicles are manufactured across the globe. These vehicles will use two to four replacement batteries over their lifetimes, and Clarios is a leader in collecting and converting used batteries into materials to build new ones. Lead, used in most vehicle batteries, is one of the world's most recycled materials. Conventional batteries are the most recyclable consumer product globally: Up to 99% of the materials in batteries can be recovered, recycled, and reused to make new batteries.

A closed-loop recycling program and circular supply chain are core to our environmentally responsible operations. Our approach encompasses more than the physical process of recycling; we manage and consider all aspects of the supply chain, including

the delivery and collection of batteries. This holistic management helps provide raw material cost advantages, ensure sustainable supply, and insulate the business from market fluctuations of lead while strengthening ties with aftermarket customers. These practices also help mitigate potential environmental risks and associated compliance costs.

Across our network, we convert 8,000 used lead-acid batteries every hour of every day through our network to ensure that new batteries are made with up to 90% recycled content. This circular approach significantly lowers the energy and greenhouse gas (GHG) footprint of production, as compared with using virgin materials. The reuse of the metals from used batteries results in 99% lower greenhouse gas emissions than processing primary ore from a mine. And the ability to recycle the plastic from used battery cases decreases the energy required by 90%, compared with virgin plastic made from oil or natural gas.

In addition, Clarios' closed-loop supply chain and reverse logistics network reduce the need for hundreds of thousands of additional transportation miles each year. Our supply chain both starts and ends when a consumer replaces a used vehicle battery with a new one at a dealer, repair shop or auto parts store. We have built feedback into our agreements with our customers so that when we deliver new batteries, we

get used batteries in return. In our system, we have moved beyond the linear paradigm and do not look at a battery as a waste, nor do we consider pollution an externality. Instead, these concepts represent system inefficiencies and missed opportunities – as well as potential risks to human health and the environment.

### RESPONSIBLE BATTERY COALITION (RBC)

*Clarios worked with leading companies and organizations to form the Responsible Battery Coalition (RBC) – a nonprofit focused on improving the sustainability of all types of transportation, industrial and stationary batteries. The RBC exists to ensure that these batteries, regardless of chemistry, are properly managed across their life cycle to not cause harm to people or the environment and to be reused when possible and ultimately recycled.*

## DEVELOPING INNOVATIVE PRODUCTS

Our innovative, sustainable energy storage technologies will help our customers mitigate climate change, use fewer resources, protect the environment, and reuse and recycle materials. As batteries continue to be key enablers for decarbonization in transport, energy, logistics, production, and telecommunications, we are investing in research and development to deliver solutions to enable the next generation of vehicles and energy-storage needs, including EVs and autonomous vehicles.

The increasing volume of electric vehicles has been driven by the need to reduce vehicle emissions and has led to a rapid shift toward advanced batteries to support “next-generation vehicles” powered by something other than a traditional ICE powertrain. Next-generation vehicles with start-stop, mild hybrid, full hybrid, plug-in hybrid and fully electric technologies now account for approximately 20% of the global car parc. This figure will reach more than 55% by 2030, according to information provider IHS Markit (IHS).

Advanced batteries have been – and will continue to be – critical to the industry’s response to the new

requirements of powering electrical loads in start-stop vehicles and ensuring reliable performance and functional safety in battery electric vehicles (BEVs). The need for improved battery performance is becoming even more central as additional safety and autonomous features are built into cars. As the role of autonomous functions moves from sensing and indication to control of the vehicle, fail-safe power management in the vehicle becomes necessary. This shift to higher levels of autonomy places additional requirements on the low-voltage battery to ensure there is sufficient power available for safe vehicle operation, particularly in the event of a failure or loss of the primary power source.

At Clarios, we continue to develop advanced battery technologies not only to meet the more challenging technical needs of next-generation vehicles but also with an understanding that the solutions need to be cost-effective and readily available to automakers and consumers. Next-generation vehicles already face adoption challenges due to cost, so we are focusing on ensuring our products provide the best value by meeting technical requirements and by producing them throughout our global network. This approach is consistent with our overall philosophy of product development that focuses on the reuse of materials and a reduction in the energy intensity of our manufacturing processes.

Today, conventional ICE vehicles make up 90% of the U.S. car parc, presenting a massive opportunity for increased performance and energy efficiency. As the market transitions to next-generation vehicles, Clarios absorbent glass mat (AGM) batteries support the increasing electrical needs of these vehicles. Clarios advanced batteries for start-stop applications will enable higher fuel efficiency through added capabilities such as engine-off coasting, passive boost and regenerative braking. Vehicles equipped with start-stop are an affordable solution; furthermore, they are up to 5% more energy efficient and release 5% less GHGs than conventional ICE-powered vehicles. In addition, the PowerFrame technology embedded in Clarios batteries uses 20% less energy and releases 20% fewer GHG emissions than traditional plate-making manufacturing methods.



We are expanding our portfolio of products that support xEV vehicles, including fully hybrid (HEV), plug-in hybrid (PHEV) and battery electric vehicles (BEV). These vehicles need low-voltage batteries to operate safely and reliably, and the requirements are different than more traditional vehicles. We are working with leading automakers to inform current and future requirements of these applications and have created products tailored to their needs. Our xEV products will work as a system with the high-voltage traction battery in these vehicles to ensure that all electrical loads are supported during operation, and they will provide the sole power for features such as telematics and over-the-air updates when the vehicle is at rest. Most important, our products will be the fail-safe power source in the event of a failure in the high-voltage system or battery to ensure the vehicle can be safely brought to a stop. In our xEV products, we will utilize and advance our core technologies from AGM to low voltage lithium ion.

**THE DEPARTMENT OF ENERGY'S ENERGY STORAGE GRAND CHALLENGE**

*In December 2020, we were honored to receive the Department of Energy's Energy Storage Grand Prize for lithium recycling. To further lithium-ion manufacturing efficiencies, we're working with the National Renewable Energy Lab (NREL) to address challenges for advanced battery materials and cell production. This collaboration helps enable Clarios to optimize production costs, enhance performance of electrodes and advance the adoption of electrified vehicles. We are applying the lessons learned through our decades of experience in lead-acid battery recycling to the challenge of recycling new chemistries.*

**INCREASING OUR DECARBONIZATION EFFORTS**

Clarios operates more than \$500 million worth of environmental and safety infrastructure for the purpose of keeping the materials we use to build new batteries and the lead we recover from our circular supply chain out of the communities in which we live and operate. In the U.S. alone, where we have publicly reported on lead emissions for the past 33 years, our air emissions have decreased by 96% while our battery production has increased more than sixfold, resulting in a near 99% reduction of emissions per battery produced and recycled. Furthermore, we've achieved an 80% absolute reduction in global emissions over the past seven years alone.

**ENERGY AND GHG**

When it comes to our energy use, we rigorously evaluate our practices at the facility level and globally. Our Clarios Manufacturing System (CMS) covers all aspects of our manufacturing and operations and establishes progressive targets for environmental and sustainability management, goals and practices.

We have implemented an "Energy Hunt" program, which aims to identify and apply energy savings at our manufacturing facilities. Examples include repairing compressed-air leaks; adding insulation to furnaces; installing heat-recovery systems; improving lighting efficiency; making manufacturing processes more energy efficient; and certifying our plants to ISO 14001, ISO 50001, and other relevant standards. For the 2019 fiscal year, the Energy Hunt program saved Clarios more than \$3.4 million and reduced energy consumption by 5,016,477 kWh, globally.

**METRICS**

**VALUE**

GHG emissions – CO <sub>2</sub> e Scope 1 (Utilities: natural gas, propane, diesel)	225,340 metric tons
GHG emissions – CO <sub>2</sub> e Scope 1 (Recycling process GHGs: anthracite coal, coke, sodium carbonate, polypropylene, polyethylene)	285,539 metric tons
GHG emissions – CO <sub>2</sub> e Scope 2 (Utilities: electricity and steam)	911,080 mt CO <sub>2</sub> e
Energy consumed	10,779,688.80 gigajoules
Percentage renewable	Less than 1%
Revenue from clean tech projects and products (i.e., fuel efficient or emissions reducing)	\$1.8 billion per year



## WATER

Like our energy use, we are mindful of our water consumption. Most of the water we consume goes directly into our manufacturing processes, and the vast majority of the water we purchase comes from local water utility companies. We have implemented water-conservation initiatives across our facilities, such as closed-loop acid recycling systems, in which acid is reused to achieve the desired acid concentration; pasting recycling systems, in which acid and oxide form a paste within a closed-loop system that minimizes releases into the wastewater treatment system; and battery wash water, which

is contained, recycled, and continuously reused for acid mixing.

Using the World Resources Institute Aqueduct™ tool, we have evaluated the water risk to our facilities today, in 2030 and in 2040 and have implemented water-savings efforts to reduce water consumption at all facilities. We have innovative water reclamation technologies at several of our facilities, including our corporate headquarters in Glendale, Wisconsin, where we have a 30,000-gallon rooftop cistern to capture rainwater for reuse in our restrooms.

### METRICS

Water consumed

### VALUE

3,082,916 m<sup>3</sup>

Water risk percentage (current and projected)

2021: 23%

2030: 38%

2040: 40%

## HAZARDOUS-WASTE MANAGEMENT

In our business, we deal with hazardous waste daily. We have implemented a “cradle-to-grave” approach to minimize, recover or safely dispose of hazardous waste in a manner that complies with regulatory requirements and protects human health and the environment. This approach extends to our transportation and logistics partners, which are required to be licensed and insured for moving hazardous waste and dangerous goods. Waste that is generated at our products’ end of life is meticulously managed to uphold our closed-loop system.

In addition, we employ systems such as scrubbers for stack emissions, air filtration and exhaust-dust collection to reduce the environmental impact to the air. Our waste management procedures are in place to prevent any spills, and each manufacturing facility, along with all transporters, is required to have a written toxic-spill response plan in place. Our sites are checked on a rolling basis to evaluate the soil for contamination from heavy metals (for example, lead, arsenic, mercury, selenium and cadmium). Nearly 20% of our sites – three in North America and six in the Asia-Pacific region – had soil testing completed during the 2020 fiscal year.

METRICS	VALUE
Total amount of waste from manufacturing	228,427 metric tons
Percentage of waste generated from manufacturing operations that is hazardous	82%
Waste diverted from landfill	72,383 metric tons
Percentage of waste generated from manufacturing operations that is recycled	31%
Percentage of sites with hazardous waste operations and emergency response (HAZWOPER) certification or that are compliant with ISO 14001	96%
Average recyclability of auto parts sold	100%
Number of reportable water spills or pollutants	7
Amount of hazardous waste generated	187,617 metric tons
Percentage of hazardous waste recycled	37%





## **SOCIAL: LISTENING AND LEARNING TO ENSURE THE SAFETY OF OUR PEOPLE AND OUR COMMUNITIES**

At Clarios, we know that we're only as good as our people. Therefore, we've established health-and-safety programs geared toward a singular commitment: to keep our workforce of more than 16,000 safe so they can help our business improve the lives of the global population. These measures safeguard our employees, their families and the communities in which we operate. We also recognize that promoting safety isn't a one-time effort but an ongoing campaign. That's why we have made safety a critical element of our culture.

### **OUR COVID-19 RESPONSE**

From the start of the pandemic, we have continuously evaluated the risk of COVID-19 exposure in the workplace to ensure our ability to supply products to support the response and recovery from this crisis. Our enterprise crisis management program included pandemic response plans that were established prior to the emergence of COVID-19. This preparation enabled us to respond quickly and prioritize the safety of our employees.

All our efforts were coordinated in accordance with public health authority recommendations and other

agency guidance. Due to our work with battery materials, personal hygiene and building cleanliness were already of the utmost importance in congruence with our current protocols.

Across the company's global operations, Clarios worked with governments, suppliers and customers to ensure continued production and access to essential batteries for emergency response vehicles and the transportation of food, medical equipment and vaccines. We collaborated with the U.S. Department of Homeland Security to convey the essential nature of automotive batteries to the pandemic response and recovery efforts. Clarios continues to work to ensure the availability of batteries across applications to support economic recovery as the pandemic subsides.

Furthermore, we remain vigilant in our internal pandemic-response efforts. We require all employees to complete a COVID-19 precheck questionnaire prior to entering company buildings. When on Clarios property, all employees must wear face coverings and practice social distancing. To keep manufacturing locations running, we implemented a personal protection equipment (PPE) sharing program to track and move PPE between locations to maintain the necessary supply and ensure the safety of our employees in all locations.

In addition, our global and regional environment, health and safety (EHS) teams worked together to set up safety measures and protocols for all Clarios facilities, including daily temperature checks; social distancing during arrival times to work, in shared spaces, and on working lines; and increased sanitization processes.

## COVID-19 RELIEF SUPPORT

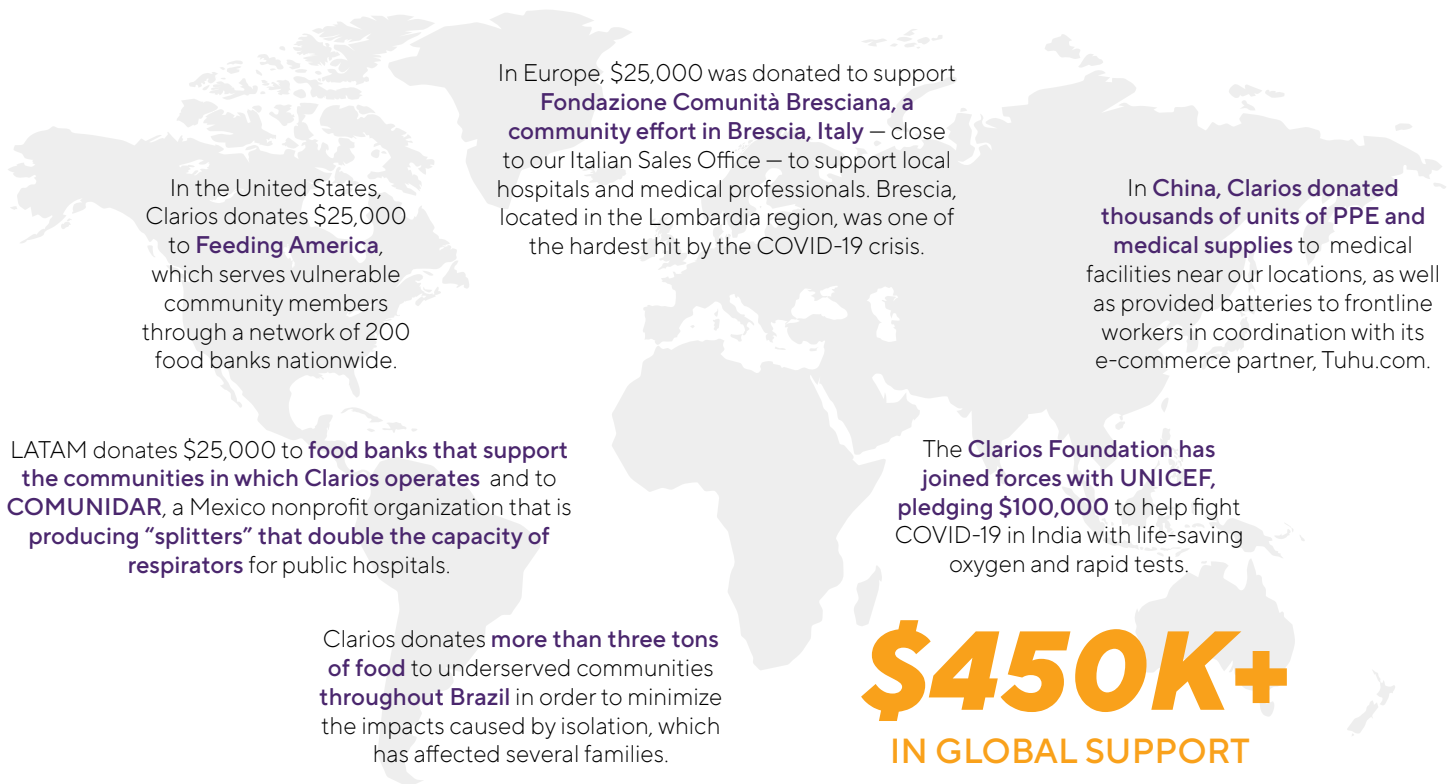
Beyond our walls, we pledged a total of \$350,000 to aid in COVID-19 global relief efforts, including \$100,000 from the Clarios Foundation to UNICEF and an additional \$250,000 to organizations in the United States, Europe, China and Latin America. These organizations included Feeding America; COMUNIDAR, a nonprofit that enables a network of engineers, doctors and donors to produce “splitters” that aim to double the capacity of respirators at

public hospitals in Mexico; and Fondazione Comunità Bresciana, a community effort in Italy to support local hospitals and medical professionals. We also aided health-care facilities near our operations in China by providing free or discounted batteries to front-line workers there.

Finally, we donated \$100,000 to the Boys & Girls Clubs of Greater Milwaukee (BGCGM) to assist with the safe reopening of 70% of its locations. BGCGM offers 1,500 children per day the chance to participate in literacy and STEM programs to strengthen academics, arts programs to foster creativity and self-expression, and sports and recreation programs to stay active. Clarios will continue to work with BGCGM on virtual STEM programming opportunities through our EXTND (Educate. Expand. Transform. Network. Develop.) program, which promotes employee engagement.

# CLARIOS COVID-19 RELIEF RESPONSE

The Clarios Foundation has **pledged \$100,000 to UNICEF’s COVID-19 global relief efforts** and is using a GoFundMe campaign to channel the collective momentum of concerned employees, customers, and stakeholders. These efforts reflect the Clarios commitment to ensuring children and families receive supplies and information to reduce the impact of the global pandemic.



## PRIORITIZING HEALTH AND SAFETY

At Clarios, our care begins with ensuring our employees can work safely and effectively. Clarios facilities are governed by a global EHS program that outlines operating principles for all employees, contractors, and visitors. Our EHS management program includes the documentation, implementation and maintenance of our EHS policies, procedures and data collection to support the transparent, efficient enforcement of our EHS initiatives. Manufacturing plants are incentivized based on the level of achievement in a variety of different health and safety topics within the management system.

We follow the Hierarchy of Controls, which was established by the National Institute for Occupational Safety and Health (NIOSH) based on global best practices and is governed by the Centers for Disease Control and Prevention (CDC). Our total recordable incident rate (TRIR) adheres to the Occupational Safety and Health Administration's (OSHA's) guidelines and is measured by the ratio of total number of recordable incidents to total number of hours worked by all employees. In 2021, our goal is to achieve a TRIR of 0.5. We are transitioning this

year from a traditional incident approach using near-miss rates to a proactive measure of serious potential incidents (SPI), and we will begin reporting on SPI data in 2022. An SPI approach will enable us to continue reducing the recordable incident rate while addressing hazards that could result in serious injury.

## PROTECTING OUR WORKFORCE

In addition to common hazards often found in the manufacturing environment, we recognize the unique risks associated with battery production and recycling processes. To manage these risks, Clarios implements a hierarchy of controls that take a broad approach that incorporates investments in hazard elimination and substitution wherever possible.

We augment these measures through a series of engineering and administrative controls and ensure employees are protected when working with these materials by providing specially selected PPE. These guidelines are incorporated into our process-design standards, pollution-control strategies, indoor air-management practices, PPE selection, clean-side/dirty-side infrastructure, and employee training — all informed on a regular basis by robust industrial hygiene data.

### METRICS

### VALUE

METRICS	VALUE
Percentage of plants certified 18001 or 45001	100%
Percentage of plants certified 50001	20% (100% of plants in Europe, the Middle East and Africa)
Lost time incident rate	0.22
Total recordable injury rate	0.57
Number of incidents	92
Number of fatalities	1
Near-miss frequency rate	2.33



## PROMOTING DIVERSITY, EQUITY AND INCLUSION

Clarios is committed to an inclusive and open work environment. We believe that by embracing diversity, we enable our employees to fully realize their potential by bringing their whole selves to work. We value and respect the diversity of our employees, officers, suppliers, customers and communities.

A key aspect of our business vision is renovating our diversity, equity and inclusion (DE&I) culture. We are starting by listening to our employees and then assessing and building our framework in a strategic, thoughtful way that will have a long-term impact on our company and our communities. We are making investments to elevate our efforts to become a more diverse, equitable and inclusive workplace that cultivates a sense of belonging for all Clarios employees. We recently hired a new chief human resources officer and also a global talent management vice president to champion these efforts.

We are committed to providing a workplace that is free of harassment or any other behavior that diminishes a person’s dignity or self-esteem. We have implemented policies and procedures that require line management of each facility to ensure compliance with equal-opportunity and no-harassment guidelines in accordance with national, state or provincial law. In addition, our chief compliance officer monitors implementation of and compliance with these policies.

In addition, we are developing regional business resource groups to support DE&I focus areas. These groups continue to evolve as we reimagine our DE&I strategy, but they currently encompass networks

focused on the following communities: LGBTQ, employees with disabilities, women, early-career staff, and minorities.

### POWERING WOMEN

*Clarios launched a Powering Women pilot project to promote the widespread inclusion of women in leadership roles at its business center in Monterrey, Mexico. The program is intended to provide early- and midcareer staff with opportunities to cultivate skills that will accelerate their career development. Powering Women is a six-month program composed of 10 modules that culminates in a project focused on creating impact within the business, as well as within our organizational culture. In the first round of this program, participants’ projects focused on reducing employee turnover in minority groups, improving the vehicle battery shopping experience in retail stores, increasing the participation of women in commercial roles, and improving employee recognition.*

### METRICS

### VALUE

Percentage of women in positions of senior management (VP) and above	32%
Number of women in positions of senior management (VP) and above	12
Total number of positions of senior management (VP) and above	37
Percentage of women on board of directors	11%
Number of women on board of directors	1
Total number on board of directors	9

## EXTND

*EXTND (Educate, Expand, Transform, Network, Develop.) is a program connecting employees at Clarios headquarters with students from Marquette University; Milwaukee School of Engineering; the University of Wisconsin-Milwaukee; and members of organizations including the Society of Women Engineers (SWE), the Society of Hispanic Professional Engineers (SHPE), and the National Society of Black Engineers (NSBE). The goal of the partnership is to provide students with a realistic depiction of the opportunities available in the engineering profession via networking opportunities, coffee chats, speaker series and outreach events.*

## TALENT DEVELOPMENT AND TRAINING

Clarios supports the continued development of our people to ensure they are best in class. Strategic talent reviews and succession planning occur on an annual basis globally and across all business areas.

High performance at Clarios is an outcome of a person's ability to change, adapt and grow throughout their career. Our emphasis is on the value of real-life, real-time learning that enables a person to meet the demands of challenging and changing work. The company's approach to learning focuses on reinforcing key principles that are designed to support an individual's effectiveness in his or her current job and in future situations.

## CLARIOS IMPACT

*Clarios recognizes employee contributions that display strengths or go above and beyond what is expected of them in service of our organization's goals and strategic priorities. The nomination process uses criteria based on our strategic enablers, along with our company values, and includes three levels of recognition: Local IMPACT, Regional IMPACT, and Global IMPACT. "Recognition helps connect our employees to the bigger picture so they understand how they contribute to the success of their team and the company overall," said CEO Mark Wallace.*

### METRICS

Percentage of employees receiving ethics training

### VALUE

99%



## OUR INFLUENCE ON SUPPLIERS

Clarios understands the influence we have with our suppliers to ensure that raw materials are grown safely and sourced responsibly. Because our products contain tin, we complete a conflict-minerals assessment every year in accordance with the Responsible Minerals Initiative to ensure our suppliers are conflict-free.

All of our suppliers are required to adhere to our Code of Ethics, and we now embed the Ten Principles of the UN Global Compact into contracts with suppliers and partners. In 2020, we fully revised our annual supplier sustainability survey to align with our expectations on human rights, the environment and anti-corruption across our supply chain. This effort was informed by responses from more than 75% of our major suppliers.

## ESTIMATED CONFLICT MINERALS

We are committed to the responsible sourcing of conflict minerals throughout our supply chain. We are guided by our [conflict-minerals policy](#). We follow the recommendations of the Responsible Minerals Initiative (RMI), and we require annual RMI-compliant Conflict Minerals Reports from all our smelter partners. The information provided by our suppliers is used to conduct our due diligence. We work with our supply base to ensure that no materials are being sourced from conflict regions.

Based on information obtained from our direct suppliers, our purchasing volume of materials that may originate from conflict regions is zero. Our goal is to continue to expand our conflict-minerals program in alignment with the Organisation for Economic Co-operation and Development's five-step framework, and we are actively working with our customers to identify breakthrough track-and-trace solutions to improve supply chain visibility and transparency.

## PROMOTING CLOSED-LOOP SUPPLY CHAIN PRACTICES

*Pure Earth awarded Ana Margarita Garza, Clarios' director of public affairs in Latin America, its 2020 Impact Award for her work in enhancing circular economy and closed-loop supply chain principles in Mexico, including promoting a lead-free alternative for traditional Mexican potters to use. In Mexico, 99% of traditional pottery uses lead glaze. Ana worked with Pure Earth to promote barro aprobado (lead-free pottery) and raise public awareness of the dangers of lead.*

## GLOBAL BATTERY ALLIANCE

*Clarios was a founding member of the World Economic Forum's Global Battery Alliance (GBA), which aims to connect and scale efforts to ensure the battery value chain is socially, environmentally and economically sustainable. The GBA is currently working to eliminate child labor and forced labor from the cobalt value chain and to contribute to the sustainable development of communities.*



## RESPECTING HUMAN RIGHTS

In addition to promoting responsible sourcing, we recognize the need to focus our efforts on mitigating risks associated with conventions from the UNGC and the International Labour Organization (ILO). Clarios' [Human Rights Policy](#) aligns with the Modern Slavery

Act 2015 and complies with all national and local laws and regulations of the countries in which it operates. We are committed to respecting and protecting human rights throughout our operations and supply chain by operating by these principles:

1. We do not engage in child labor and employ only workers who are at least 16 years old.
2. We prohibit the use of forced, bonded, indentured or involuntary prison labor.
3. We prohibit the engagement in slavery or human trafficking or practices that support human trafficking, including transporting, harboring, recruiting, transferring or receiving persons by means of threat, force, coercion, abduction or fraud for labor or services.
4. We comply with all applicable wage laws, regulations, and relevant collective bargaining agreements, including those relating to minimum wages, hours, overtime hours and legally mandated benefits.
5. We prohibit the withholding of any part of any person's salary, benefits, property or documents to force such personnel to continue working for the organization.
6. We respect our employees' voluntary freedom of association, including their right to organize and bargain collectively in a manner that is legally compliant; legally recognized workers' representatives will have access to facilities necessary to carry out their required functions; and we will not discriminate against such workers' representatives.
7. We encourage open communication and direct contact between workers and management in situations in which representation and collective bargaining are restricted by law.
8. We maintain workplaces free of physical or mental harassment and abuse.
9. We maintain workplaces free of unlawful discrimination and harassment in all of its forms, including related to race, gender, sexual orientation, age, pregnancy, caste, disability, union membership, ethnicity, religious beliefs or any other factors protected by law.
10. We respect the special needs of individual employees, including those who are pregnant or are returning to work after childbirth.
11. We respect our employees' rights to privacy of their personal information.

In addition to our workers' safety, Clarios supports freedom of association and our employees' right to collective bargaining. Close to half of our manufacturing facilities operate subject to collective-bargaining agreements, including health and safety topics covered by these agreements. We believe strongly in providing all employees a safe place to work no matter their location or union association. Clarios communicates that support through its Code of Ethics, which applies to all employees and our

suppliers. In the European Union, Clarios' health and safety programs are subject to Works Council review and approval and to collective-bargaining agreements in certain countries.

In addition, Clarios offers competitive benefits packages for our employees in compliance with national and subnational laws, including those governing vacation, childcare, and parental leave, and remains competitive with peers based on geography.

## IMPLEMENTING THE SA8000 STANDARD

Five of our plants across the United States, Colombia and Mexico are certified in the Social Accountability 8000 International Standard (SA8000). SA8000 is based on the principles of ILO conventions, the United Nations Convention on the Rights of the Child and the Universal Declaration of Human Rights. It measures the performance of companies in eight areas: child labor, forced labor, health and safety, free association and collective bargaining, discrimination, disciplinary practices, working hours, and compensation.

Within these five plants, 100% of our employees receive human rights training and have access to further training. We maintain a number of policies and procedures to monitor our approach and adherence

to the SA8000 standards. These include our SA8000 Policy, Human Rights Policy, and Child Labor Policy.

## PROTECTING EVERY CHILD'S POTENTIAL

*Pure Earth, the Clarios Foundation and UNICEF have launched Protecting Every Child's Potential (PECP), an awareness-raising movement and knowledge platform created to tackle the urgent challenge of children's exposure to lead, which is on a massive and previously unrecognized scale. Around one in three children – up to 800 million globally – has blood lead levels indicative of lead poisoning. Informal, illegal and substandard recycling of lead-acid batteries is a leading contributor to exposure in areas where children play, live and go to school in low- and middle-income countries. PECP is starting in five countries: Bangladesh, Georgia, Ghana, Indonesia and Mexico.*



## **GOVERNANCE: SETTING PRIORITIES AND ENSURING ACCOUNTABILITY**

Clarios believes that strong governance is essential to an intentional, comprehensive and integrated approach to ESG efforts. At the same time, we recognize the changing face of risk and how it continues to affect our business and workforce. Our approach to governance is defined by the structures and processes that promote coordination, vigilance and transparency.

### **RISK MANAGEMENT**

Clarios' Enterprise Risk Management (ERM) process provides the company with a common framework and terminology to ensure consistency in identification, reporting, analytic and management of key risks. It is also linked to the strategic-planning process, compliance, and internal audit and includes a formal process to identify and document the key risks perceived by a variety of stakeholders. A risk committee oversees the ERM program by providing feedback, guidance and direction on the process, procedures and results and will escalate any new risks that should be elevated to the executive committee.

Board meetings regularly include strategic overviews by the CEO that describe the most significant issues affecting our company, including risks associated with

our financial forecasts, business plan and operations. In addition, the board regularly receives updates from our business-unit leaders, the general counsel, and other functional leaders.

To manage ESG concerns, a central team is tasked with the implementation of the Clarios Sustainability Blueprint with clear executive accountability established for the enterprise. This team works in partnership with legal, procurement, environmental health and safety, and public affairs as part of our ERM program. Key sustainability concerns are reported monthly to leadership and quarterly to the board.

### **ESG MATERIALITY**

To inform our ESG report and starting point, we performed an evaluation of ESG topics important to our internal and external stakeholders, as well as a peer assessment. We formed our strategy around topics we believe are material to our business and our stakeholders. This report is aligned with the results of the materiality assessment performed and the material topics relevant for Clarios. Our ESG topics include functions associated with technology and product development, ERM, environment, health and safety, compliance, social, governance, public policy, sustainability, and corporate responsibility.



## OUR WAY: CLARIOS CODE OF ETHICS

The [Clarios Code of Ethics](#), called “Our Way,” guides all of our processes and actions as a company. It sets our policies across a wide array of areas and provides

specific guidance on the behaviors that allow us to implement our culture globally. The Code of Ethics touches on the following topics:

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Speaking up and getting help	International trade compliance	Insider trading and securities market abuse
Health and safety	Fair competition and antitrust	Responsible communications
Respectful treatment, preventing harassment and workplace bullying	Research integrity and ethically sourcing competitive intelligence	Procurement
Diversity and inclusion	Bribery and other forms of corruption	Preventing abuses in the supply chain
Equal opportunity and preventing discrimination	Third-party intellectual property and commercial rights	Supplier expectations
Employee data privacy	Conflicts of interest	Sustainability and environmental responsibilities
Product quality and safety	Recordkeeping and disclosure	Community engagement and investment
Honest marketing and sales practices	Physical property and assets, our reputation, and our confidential and proprietary information	Political activity and lobbying
Customer data privacy		

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Compliance with our Code of Ethics and our Anti-Corruption Policy is a condition of employment. Clarios trains its employees on a variety of anti-corruption and related matters, including the Foreign Corruption Protection Act, anti-bribery statements from our Code of Ethics, and our Code of Ethics more broadly.

All online employees must complete ethics certification. Employees for whom certification is not required, such as plant employees, must demonstrate that they know and understand the Code of Ethics as part of their orientation and as part of their annual job appraisals. As of the 2020 fiscal year, 99% of our employees are in compliance with the training and certification requirements.

## INTEGRITY HELPLINE


A 24-hour Integrity Helpline and online portal is managed by the Ethics & Compliance department and is available to anyone who wishes to raise an ethics or compliance-related concern to the company. The Helpline is available in 47 languages, is operated by an independent third-party vendor, and allows callers to log concerns anonymously. Concerns are routed to the appropriate function for review and investigation. Statistics are collated quarterly and are reviewed with the global compliance leadership team and presented to the audit committee.

# ALIGNMENT WITH SUSTAINABLE DEVELOPMENT GOALS

Clarios has identified the following United Nations Sustainable Development Goals (SDGs) as most relevant to our business. We engage in a broad range of sustainability activities outlined in this report in support of these goals.

## SUSTAINABLE DEVELOPMENT GOALS

SDG	REPORT SECTION	PAGE
 <p><b>3</b> GOOD HEALTH AND WELL-BEING</p>	COVID-19 Relief Support	13
	Prioritizing Health and Safety	14
	Implementing the SA8000 Standard	19
 <p><b>7</b> AFFORDABLE AND CLEAN ENERGY</p>	Promoting a Circular Economy	7
	Developing Innovative Products	8
	Increasing Our Decarbonization Efforts	9
 <p><b>9</b> INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>	Company Background	6
	Promoting a Circular Economy	7
	Developing Innovative Products	8
 <p><b>11</b> SUSTAINABLE CITIES AND COMMUNITIES</p>	Developing Innovative Products	8
	Increasing Our Decarbonization Efforts	9
	Respecting Human Rights	18
 <p><b>12</b> RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	Promoting a Circular Economy	7
	Developing Innovative Products	8
	Increasing Our Decarbonization Efforts	9
 <p><b>13</b> CLIMATE ACTION</p>	Promoting a Circular Economy	7
	Developing Innovative Products	8
	Increasing Our Decarbonization Efforts	9
 <p><b>16</b> PEACE, JUSTICE AND STRONG INSTITUTIONS</p>	Company Background	6
	Closed-loop Supply Chain Practices	17
	Respecting Human Rights	18
 <p><b>17</b> PARTNERSHIPS FOR THE GOALS</p>	Company Background	6
	Closed-loop Supply Chain Practices	17
	Respecting Human Rights	18



# **THE POWER TO CHANGE TOMORROW STARTS TODAY.**

We recognize the vital nature of our work to usher in a new era of energy storage solutions, and we feel a responsibility to put ESG front and center in this journey. We also acknowledge the urgency of this moment. The years ahead will bring higher expectations for the private sector to become more sustainable and environmentally conscious while supporting the safety, health and well-being of our employees.

While we are proud of our accomplishments, we also know there is much work to do. We look forward to collaborating with our partners, suppliers, regulators and other stakeholders to bring our collective efforts to this challenge. This mindset enabled Clarios to weather the pandemic and emerge in a position of strength, and we believe it will continue to make us a leader and innovator in the industry.



# SUSTAINABILITY ACCOUNTING STANDARDS BOARD (SASB) INDEX

TOPIC	ACCOUNTING METRIC	CODE	VALUE
<b>Energy management</b>	1. Total energy consumed	TR-AP-130a.1	10,779,688.80 gigajoules (2,994,358 MWh)
	2. Percentage grid electricity	TR-AP-130a.1	100%
	3. Percentage renewable	TR-AP-130a.1	<1%
<b>Waste management</b>	1. Total amount of waste from manufacturing	TR-AP-150a.1	245,716 metric tons
	2. Percentage hazardous	TR-AP-150a.1	82%
	3. Percentage recycled	TR-AP-150a.1	31%
<b>Product safety</b>	1. Number of recalls issued	TR-AP-250a.1	0
	2. Total units recalled	TR-AP-250a.1	0
<b>Design for fuel efficiency</b>	Revenue from products designed to increase fuel efficiency or reduce emissions	TR-AP-410a.1	\$1.8 billion per year
<b>Materials (sourcing)</b>	Description of the management of risks associated with the use of critical materials	TR-AP-440a.1	See <a href="#">Conflict Minerals</a>
<b>Materials (efficiency)</b>	1. Percentage of products sold that are recyclable	TR-AP-440b.1	100%
	2. Percentage of input materials from recycled or remanufactured content	TR-AP-440b.2	80% to 90% of each battery is made from recycled materials
<b>Competitive behavior</b>	Total amount of monetary losses because of legal proceedings associated with anti-competitive behavior regulations	TR-AP-520a.1	\$0

ACTIVITY METRIC	CODE	CLARIOS RESPONSE
Number of parts produced	TR-AP-000.A	241,187,487
Weight of parts produced	TR-AP-000.B	631,831.5 metric tons *Geographic scope – US region
Area of manufacturing plants	TR-AP-000.C	1,259,584.62 m <sup>2</sup>

## WASTE FOOTNOTES:

For the United States, we used fiscal year 2019 waste data and multiplied them by -4.3% – that is, how much less energy we used in the 2020 fiscal year compared with the 2019 fiscal year due to temporary plant closures related to COVID-19, mainly in April and May 2020. Our energy usage and waste generation are directly connected to the production, meaning the more production we run, the more energy we use and the more waste we generate.

For Europe, we used fiscal year 2019 waste data and multiplied them by -12.7% – that is, how much less energy we have used in the 2020 fiscal year compared with the 2019 fiscal year due to temporary plant closures related to COVID-19.



# CLARIOS

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