



Nexigen®

Kloeckner's CO<sub>2</sub>-reduced products and services for greener value chains

kloeckner metals

kloeckner metals



# Sustainability reporting

of Klöckner & Co SE

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# Facts 2023

Introduction of  
**nexigen®  
 PCFAlgorithm**  
 and

**nexigen®  
 data  
 services**

Calculation and management  
 of product emissions  
 (Product Carbon Footprint)

Lost Time Injury  
 Frequency

**5.7**

(target value for 2023 of 5.9)

Group-wide electricity  
 consumption from renewable  
 sources

**96%**



Winner German  
 Sustainability Award

in the category „Transformation Field Climate“

Reduced Scope 1 & 2 emissions by 52% compared to SBTi baseline year 2019

CO<sub>2</sub> emissions

**42 Tto**

Scope 1 emissions

**2 Tto**

Scope 2 emissions  
 („market-based“)

**7,165 Tto**

Scope 3 emissions

**>1,500**

children and young people supported  
 through social projects

**>19,300**

digital learning units completed  
 at the Kloeckner Academy

# Klöckner & Co SE

## sustainability reporting 2023

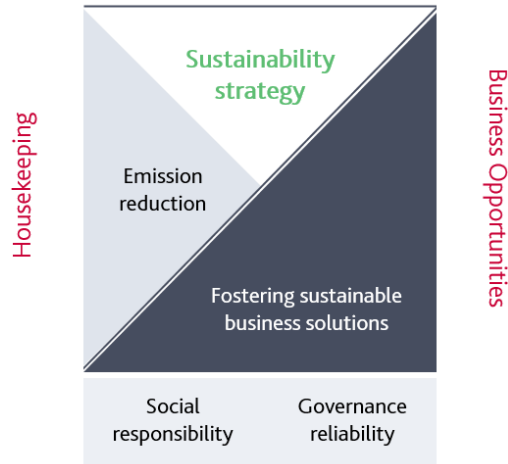
Klöckner & Co is one of the largest producer-independent distributors of steel and metal products worldwide. As we are not tied to any particular steel producer, customers benefit from our centrally coordinated procurement and wide range of national and international sourcing options from around 40 key suppliers across the globe. These include the world's largest steel producers. Responsible conduct plays a central role in relation to our business model and our self-perception as a tradition-rich company. For us, responsibility means aligning all our business activities with good ethics, social responsibility, environmental stewardship and commercial success. This ethos is enshrined on our Group-wide Klöckner & Co values. These ensure that we share a common understanding for our conduct on a day-to-day basis. Sustainability along the steel value chain is an issue of special importance and is a core element of our "Klöckner & Co 2025: Leveraging Strengths" strategy. As a distributor and important link in the value chain, we see it as our duty to continuously improve processes in order to minimize the negative and maximize the positive impacts of our business activities. A key driver in communicating our sustainable transformation both internally and externally is our purpose statement: "We partner with customers and suppliers to deliver innovative metal solutions for a sustainable tomorrow." This guides us in our day-to-day work. It provides direction for our employees and showcases to our customers and business partners what they can count on. In condensed form, it is expressed in our slogan, "Your partner for a sustainable tomorrow."

Our approximately 6,400 employees apply their skills and enthusiasm to meeting our customers' needs. We provide customers with an end-to-end solution from procurement through logistics to processing, including individual delivery and 24-hour service – processes we are increasingly digitalizing and automating. For example, we use a variety of digital tools and applications to enable us to provide our customers and business partners with an even broader spectrum of steel and metal products as well as services. Through our distribution and logistics network with some 150 distribution and service locations in Europe and North America, we serve over 85,000 customers. Concentrated mainly in the construction industry, machinery and mechanical engineering, the transportation industry and other metal transforming companies, our customer base consists primarily of small to medium-sized steel and metal consumers (for more in-depth information about Klöckner & Co's business model, see page 33 of the management report).

### **Sustainability strategy**

We embrace our responsibility for the environment, safety and our community. This commitment must be reflected in all our actions and decisions. Safety standards ensure a working environment that protects our employees. For an authentic presentation of our position as a company, we report transparently on integrity matters in each action area. We demonstrate accountability and commitment to our decisions and actions, and are dedicated to a culture of dealing openly with failures.

We view our dedicated sustainability strategy from an overarching environmental, social and governance (ESG) perspective and purposefully integrate that view. Social responsibility and reliable corporate governance are integral elements here alongside environmental aspects.



We believe that innovation, technology and new business models will especially enable the steel and metal industry's successful transformation to sustainability. As part of our Group strategy, we are consequently working as a pioneer of a sustainable steel industry to establish innovative business models by creating a comprehensive portfolio of sustainable customer solutions. By expanding our product and service portfolio, we are seizing the strategic opportunity to integrate the attractive new business area of sustainable solutions into our business model. We see this transformation as a unique growth opportunity – not just in the future, but already today.

## Nexigen®

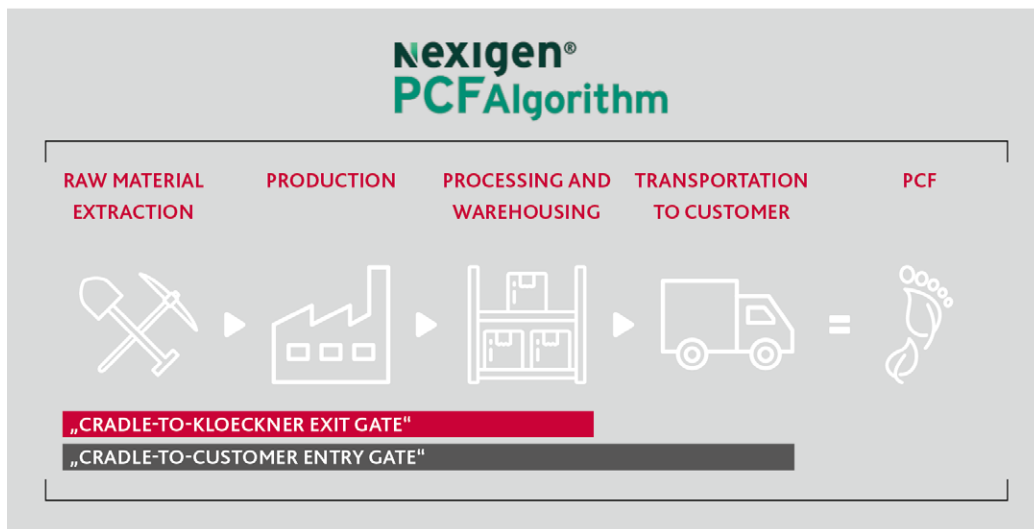
Under our Nexigen® umbrella brand, we have focused our sustainable product and service portfolio across the Group, providing transparent, CO<sub>2</sub>-reduced solutions in the categories of materials, processing, logistics, circularity (closed-loop) solutions and comprehensive Sustainability Advisory Services for sustainable customer solutions. In this way, we are already helping customers to source CO<sub>2</sub>-reduced steel and metal products, while our smart software solutions give them visibility into the carbon footprint of the products they buy. To provide our customers with optimum support in establishing sustainable value chains, we have introduced rating scales for our CO<sub>2</sub>-reduced steel, stainless steel and aluminum products. These scales are rooted in international, science-based standards and categorize the CO<sub>2</sub>-reduced materials according to their certified emissions along the entire value chain from resource extraction to production and processing, or cradle to Klöckner exit gate. They serve customers as a guide and a comparison tool for determining the carbon footprint of end products. Through partnerships, we already offer our customers CO<sub>2</sub>-reduced steel and metal products today.



Categorization for carbon steel, in kg CO<sub>2</sub>e per ton of steel.



In addition, we provide customers with an individual Product Carbon Footprint (PCF) for almost every item in our product portfolio. This allows customers to reliably, transparently and easily verify the carbon footprint of a product purchased from Klöckner & Co. With the Nexigen® PCF Algorithm, we have developed an innovative tool whose automated PCF calculation methodology is certified by TÜV SÜD. The Nexigen® PCF Algorithm's methodology for calculating the PCF follows the internationally recognized Greenhouse Gas Protocol and ISO 14067, ref. 14040 and 14044, and, in accordance with those standards, calculates the product's cradle-to-customer entry gate emissions. As a result, customers have information about the carbon footprint of their materials, thus enabling them to make more sustainable product decisions.



With the introduction of Nexigen® Data Services for the active management of product carbon emissions, we have made a further major step towards decarbonizing the steel and metal industry. This digital technology solution will enable customers to view, at a glance, the cradle-to-customer entry gate carbon emission history of all products so far sourced through Klöckner & Co, and automatically receive suggestions for alternative CO<sub>2</sub>-reduced products, and thus potential for reductions compared to past orders. The use of open blockchain technology ensures a high level of data integrity and seamless transparency along the entire value chain.

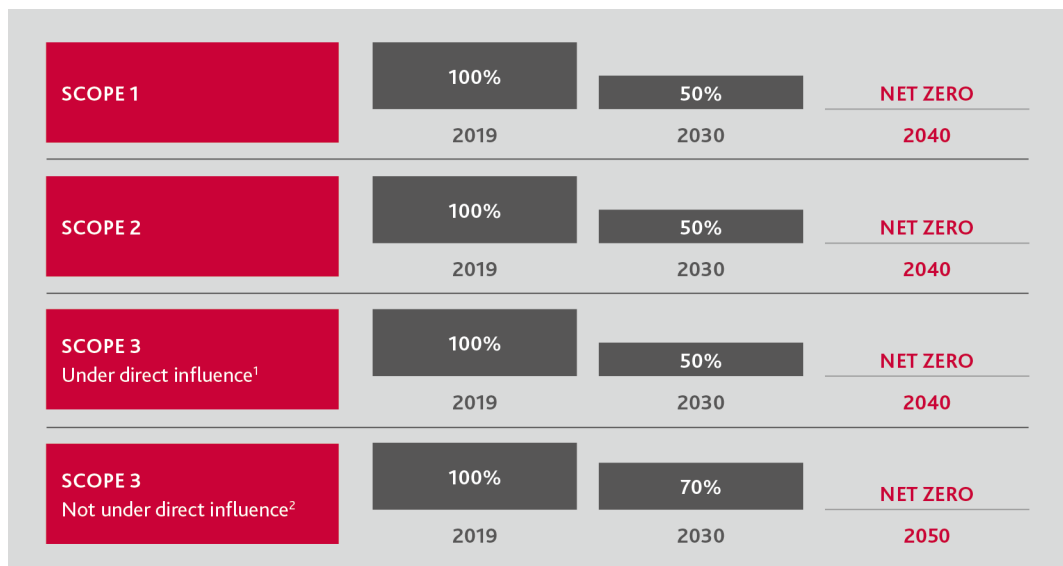
# Nexigen® Data services

In recognition of our contribution to the decarbonization of the steel industry, we won the prestigious German Sustainability Award 2023 in the Climate Transformation category. This shows the importance of the transformation that Klöckner & Co is contributing to drive as an externally acclaimed pioneer of a sustainable steel industry.



In addition to the strategic opportunities we see in the sustainable transformation of the steel industry, we are meeting our responsibility to reduce our own emissions and those of our upstream and downstream value chains. Therefore, we have designated the reduction of carbon emissions as a non-financial target for variable remuneration of the Management Board, the entire first management level below the Group Management Board and additional executives at levels two and three.

Our net zero carbon targets have been recognized by the Science Based Targets initiative (SBTi) as science-based targets in the standard validation process. Klöckner & Co has thus committed to reducing Scope 1 and 2 emissions and directly influenceable Scope 3 emissions to net zero by 2040 and emissions in the entire value chain by 2050. Our path to net zero is based on the following science-based medium- and long-term carbon reduction targets:



<sup>1</sup>) Scope 3 emissions under direct influence: Fuel and energy-related activities (3.3) [not included in Scope 1 and 2]; waste generated in operations (3.5); business travel (3.6); employee commuting (3.7); downstream transportation and distribution (3.9).

<sup>2</sup>) Scope 3 emissions not under direct influence: Purchased goods and services (3.1); capital goods (3.2); upstream transportation and distribution (3.4).

Our corporate goal is the verifiable reduction of emissions from our business activities. As this is a continuous, long-term process, in addition to our reduction measures, we offset all of our Scope 1 and 2 carbon emissions, without taking them into account against our reduction targets.

For us, the dimensions of sustainability also include social responsibility and reliable governance in addition to environmental factors. This is because, for Klöckner & Co, responsible conduct based on ethical convictions paves the way for long-term business success and hence also for sustainability. We shape the social dimension in partnership with our employees, suppliers and customers, and with the involvement of the surrounding community. Occupational health and safety is a priority in our Company. In particular, we are committed to protecting the health of our employees. To that end, we have created the Safety 1<sup>st</sup> and Kloeckner Cares initiatives. As part of our social commitment, we provide targeted support for educational programs in the community.

We are committed to reliable governance, for example by creating transparency and demonstrating commitment. Responsibility and sustainable value creation are at the forefront of our business management and control. This enables us to build trust among business partners, employees, investors at home and abroad, and the general public.

### **Sustainability management**

As a tradition-rich company, Klöckner & Co considers it its duty to ensure its own future viability by means of long-term, strategic goals. In this process, responsibility for internal and external stakeholders plays an important role that follows from the size and international presence of our business activities. To shape these relationships in the long term and in a responsible manner for the benefit of all, we combine all relevant activities in a Group-wide sustainability management system. The CEO is functionally responsible for the area of sustainability. Responsibility for sustainability management, coordinating all sustainability activities and compiling the Group non-financial report lies with the Corporate Strategic Sustainability Department. The teams established under the internal Sustainability and Human Rights Committee consist of managers from the corporate departments Strategic Sustainability, Investor Relations, Legal & Compliance, Group HR/Communication, Risk Management, Logistics, Procurement and the Group's key sustainability stakeholders. These interdisciplinary and cross-functional teams determine the main pillars of the sustainability strategy and, regarding the implementation of sustainability initiatives, coordinate their activities closely with the respective segments and their departments within the Klöckner & Co SE Group.

*Sustainability Committee determines main pillars of sustainability strategy*



### Commitment to sustainability and fairness

As a pioneer of a sustainable steel industry, we have signed up to various standards and initiatives Group-wide that demonstrate our ambitious commitment. By pursuing a holistic approach, we aim to actively drive the transformation of the economy and society through the sustainable strategic orientation of our business. Our voluntary commitments demonstrate our ambition and responsibility. For example, we are a supporter of Race To Zero, Business Ambition for 1.5°C and Fair Company. In addition, we contribute towards the achievement of the Sustainable Development Goals.



## Group non-financial report

This sustainability reporting for 2023 includes the Group non-financial report of Klöckner & Co SE in accordance with Section 315b of the German Commercial Code (HGB), the EU Taxonomy Regulation (EU) 2020/852 of the European Parliament and of the Council and the delegated acts adopted in this respect, as well as the interpretation presented in the section titled "EU Taxonomy" of the Separate Group non-financial report. In the Group non-financial report, we present the non-financial issues of major relevance to our business activities together with the impact of those activities on aspects comprising environmental matters, employee matters, respect for human rights as well as anti-corruption and bribery. This includes the chapters on the areas of action regarding Employees, Responsible Conduct and Environment. In addition, we provide transparent reporting on our broader engagement with regard to sustainability in the chapters on the areas of action Digitalization and Customer Satisfaction. We report on social matters in the social commitment section of the Responsible Conduct chapter. The reporting period for the Group non-financial report is the fiscal year 2023. Unless otherwise specified, the information covers all fully consolidated companies of the Klöckner & Co SE Group. No framework was used in the preparation of the Group non-financial report, as we do not require a framework in order to present the relevant information in a structured and rigorous manner. We base our climate reporting on the recommendations of the Task Force on Climate Related Financial Disclosures (TCFD). From the coming 2024 reporting year, we will carry out our non-financial reporting in accordance with the Corporate Social Responsibility Directive (CSRD) on the basis of the European Sustainability Reporting Standards (ESRS).

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft was engaged to provide a limited assurance review of our sustainability report, which contains the Group non-financial report, for the period January 1, 2023 to December 31, 2023. With the exception of the cross-references to the Group management report and the consolidated financial statements of Klöckner & Co SE, all cross-references are for informational purposes only. They are not part of the Group non-financial report and are therefore not subject to the limited assurance engagement.

## Materiality analysis

The topics to be included in the Group non-financial report are specified and formulated within the context of our sustainability management. Our definition of sustainability comprises all the areas that contribute to securing the long-term success – i.e. the future viability – of Klöckner & Co. We review the reporting topics on an ongoing basis in order to ensure that we are advancing the key issues that are material to a sustainable, forward-looking strategy in a dynamic market environment. In 2020, we conducted a detailed materiality analysis. The prioritization of the issues reflects their business relevance (net assets, financial position and results of operations, innovation and reputation) as well as the impacts of our business activities and the upstream supply chain on the environment and on society. Those topics were categorized as material under double materiality within the German Commercial Code. The aggregate results were coordinated with the CEO to ensure comprehensive and integrated reporting for the Group. The topics deemed material are the focus areas of this report.

In preparation for the implementation of the CSRD framework and based on the revisions to the draft guidelines, which are subject to change, we carried out an initial systematic double materiality analysis in the reporting year, taking into account the requirements in ESRS 1 and the Klöckner & Co-specific value chain, and reviewed it internally with the Sustainability Committee.

## Action areas and reporting topics (material topics are highlighted in color)

	TOPICS	CSR-RUG (HGB) CLASSIFICATION
EMPLOYEES	Occupational health and safety	Employee matters
	Employee development	
	Fair working conditions	
RESPONSIBLE CONDUCT	Corporate governance	Anti-corruption and bribery
	Human rights in the supply chain	Respect for human rights
	Social commitment	Social matters
	Antitrust risks	Anti-corruption and bribery
ENVIRONMENT	Environmental impact of logistics	Environmental matters
	Sustainable business models	
	Conservation of natural resources	
DIGITALIZATION	Digital transformation	Group-specific aspects
CUSTOMERS	Customer satisfaction	Group-specific aspects

The materiality analysis carried out according to the CSR Directive Implementation Act yielded the following six material reporting topics at Klöckner & Co: Occupational health and safety, employee development, antitrust risks, the environmental impact of logistics, digital transformation and customer satisfaction. These topics represent the three obligatory aspects of employee matters (employee development; occupational health and safety), anti-corruption and bribery (antitrust risks) and environment (environmental impact of logistics) according to the HGB. Two material topics – customer satisfaction and digital transformation – go beyond the obligatory aspects and are specific to the Group.

In line with its increased strategic importance for the Group, we additionally address the topic of sustainable business models as well as providing an insight into environmental topics of relevance to our Company in the section on conservation of natural resources. Our sustainability management is aligned with the five action areas of Employees, Responsible Conduct, Environment, Digitalization and Customers. They also form the chapters of this report.

### **EU Taxonomy**

In 2019, the EU Member States agreed to reduce net greenhouse gas emissions to zero by 2050 as part of the "European Green Deal." Europe is to be the first continent to become climate-neutral. Under the EU Taxonomy Regulation (EU) 2020/852 of the European Parliament and of the Council of June 18, 2020 on the establishment of a framework to facilitate sustainable investment, the European Union (EU) as part of the "European Green Deal" places obligations on companies to operate more sustainably.

The EU Taxonomy requires companies to review and evaluate whether and to what extent their activities fall under the definition of "environmentally sustainable activities." Six environmental objectives have been defined by the EU for this purpose: (1) climate change mitigation, (2) climate change adaptation, (3) sustainable use and protection of water and marine resources, (4) transition to a circular economy, (5) pollution prevention and control, and (6) protection and restoration of biodiversity and ecosystems. For the 2023 reporting year, the percentage of taxonomy-eligible and taxonomy-aligned economic activities has to be reported for the two climate objectives as well as, for the first time, the percentage of taxonomy-eligible economic activities for the four new environmental objectives under the Environmental Delegated Act.

Under Article 3 of the Taxonomy Regulation, economic activities are taxonomy-aligned if they meet the following three criteria. An economic activity is considered to be environmentally sustainable if it makes a substantial contribution to at least one of the environmental objectives and do no significant harm with regard to any of the other environmental objectives. Furthermore, an environmentally sustainable economic activity must also meet social criteria referred to as minimum safeguards. These relate to recognized frameworks such as the UN Guiding Principles for Business and Human Rights and the OECD Guidelines for Multinational Enterprises.

The EU Taxonomy Regulation is focused primarily on sectors that can make a substantial contribution and whose transformation therefore has a material influence on achieving the stated targets.



*Dynamic regulatory environment  
and limited interpretability*

As of yet, there have not been any technical assessment criteria defined for Klöckner & Co SE's sales revenue-generating economic activities. Because of this, an adequate presentation is not possible due to the lack of regulatory coverage of our activities under the EU Taxonomy. This limits the representativeness and interpretability of the figures with regard to taxonomy eligibility and taxonomy alignment of Klöckner & Co's sales. Given the dynamic regulatory development, we expect that activities will be defined for our sales-generating economic activities in the future and that these will allow us to report more comprehensively. We are already aware of the key strategic importance that sustainability has for our business (see page 1 regarding our sustainability strategy). We report on our climate targets and sustainable business solutions in the Environment chapter, starting on page 31.

**IDENTIFICATION OF TAXONOMY-ELIGIBLE ACTIVITIES**

After identifying the potential main activities based on the product groups and services of Klöckner & Co, we conclude that the following economic activities are initially taxonomy-eligible with regard to the EU environmental objective 1 under the Climate Delegated Act. Klöckner & Co does not generate any sales from taxonomy-eligible activities relevant to the EU environmental objective 2. In addition, we have not identified any separate CAPEX or OPEX that contributes to climate change adaptation.

- Activity CCM 6.6 "Freight transport services by road": According to Annex I of the Climate Delegated Act, this economic activity includes the purchase, financing, leasing, rental and operation of vehicles designated as category N1, N2 or N3 falling under the scope of EURO VI, step E or its successor, for freight transport services by road. Klöckner & Co mainly makes use of N3 class vehicles for freight transport due to the high payload capacity required. Freight transport by Klöckner & Co with vehicles that meet the above criteria can therefore be taken into account as a taxonomy-eligible economic activity within the meaning of the EU Taxonomy. Only Klöckner & Co trucks that at minimum comply with emission level E were taken into account. In addition, it should be noted that we provide logistics services that fall under category CCM 6.6 generally in conjunction with other activities belonging to steel distribution that are not covered by the EU Taxonomy.
- Activity CCM 8.2 "Data-driven solutions for GHG emissions reductions": According to Annex I of the Climate Delegated Act, this economic activity includes the development or use of ICT solutions that are aimed at collecting, transmitting and storing data, and at its modelling and use where those activities are predominantly aimed at the provision of data and analytics enabling GHG emission reductions. Klöckner & Co's Nexigen® Data Services solution enables customers to actively manage and reduce their carbon emissions. It provides a clear and transparent overview by collating the carbon footprint of all products procured through Klöckner & Co in a single place. Customers also receive concrete suggestions for more environment-friendly alternatives and are shown ways in which they can reduce carbon emissions compared to previous orders.

In addition, Klöckner & Co has identified the following additional taxonomy-eligible activities in terms of CAPEX and OPEX which are not directly related to the product and service portfolio:

- Activity CCM 6.5 "Transport by motorbikes, passenger cars and commercial vehicles".
- Section CCM 7 "Construction and real estate activities," in particular the activities "Installation, maintenance and repair of energy efficiency equipment" (CCM 7.3), "Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)" (CCM 7.4), "Installation, maintenance and repair of renewable energy technologies" (CCM 7.6) and "Acquisition and ownership of buildings" (CCM 7.7).

Beyond these, no taxonomy-relevant activities were identified within our business activities, either separately or in the aggregate. One activity not yet covered by the EU Taxonomy comprises sustainable logistics solutions as part of the recycling process. Klöckner & Co is involved in various initiatives in this area and, in addition to its already extensive recycling activities, has launched projects with project partners in recent months to create a closed metal loop. We are thus moving early to lay the foundation for business models based on circularity. Customers' scrap is returned directly to the metal producer. This precisely traceable scrap, in turn, reduces the negative climate impact of metal production by replacing emissions-intensive pig iron in the production process. We are thus consistently implementing our sustainability strategy, which has a strong focus on business solutions.

**DERIVATION OF KEY FIGURES**

As the EU has not yet specified any activities for the material economic activities of Klöckner & Co SE, the possible scope of taxonomy reporting for our Company is very limited. This results in the small percentages stated in the following with regard to taxonomy eligibility and taxonomy alignment. The share of all taxonomy-eligible economic activities (CCM activities 6.6 and 8.2) in total sales in the fiscal year 2023 amounted to less than 0.1% of the total sales reported in the Annual Report (see Note [7] to the consolidated financial statements). Capital expenditure ("eligible CAPEX") related to assets or processes associated with taxonomy-eligible economic activities was differentiated by asset class. In fiscal year 2023, 11% of Klöckner & Co's capital expenditure was taxonomy-eligible. Total capital expenditure is the sum of the additions disclosed in Note (16) Intangible assets and property, plant and equipment to the consolidated financial statements from (a) additions to intangible assets excluding goodwill, (b) property, plant and equipment, and (c) leases.

In fiscal year 2023, taxonomy-eligible operating expenses amounted to less than 4% of the total EU taxonomy-relevant expenses. Total operating expenses as defined by the EU Taxonomy include maintenance and repair costs, building renovation measures, as well as short-term leasing expenses.

All taxonomy-eligible capital expenditure relates to capital expenditure on property, plant and equipment. Capital expenditure on activity 6.6 "freight transport services by road" currently does not meet the technical screening criteria for various reasons. The activities identified in addition as taxonomy-eligible relate exclusively to the purchase of services and products of taxonomy-eligible activities of other companies, comprising CAPEX (c) and OPEX (c). In respect of these services and products, the proof of taxonomy alignment is required to be furnished by our service providers and suppliers. However, there is a lack of transparency with regard to the information required. It is therefore not possible to provide positive confirmation of the taxonomy alignment of the reported CAPEX (c) and OPEX (c).

Given the dynamically changing nature of EU taxonomy legislation, we note that our impact analysis may be subject to gradual future adjustments.

Our taxonomy-relevant disclosures are listed in full<sup>\*)</sup> at the end of the Group non-financial report.

\*) As none of the activities are carried out that relate to natural gas or nuclear power (activities 4.26-4.31), no use is made of the special templates introduced in the Complementary Delegated Act as regards economic activities in certain energy sectors.

#### **Risk assessment**

*No reportable risks*

A risk assessment has been conducted for all material issues under the CSR Directive Implementation Act. This investigated whether our business activities or our direct supply chain give rise to material non-financial risks for reportable aspects under Section 315c read in conjunction with Section 289c (3) HGB. The investigation took into account the probability of occurrence and the scale of negative impacts on each aspect. No reportable non-financial risks were identified. Further information on non-financial opportunities and risks that we have identified is provided in the section on risks and opportunities in the management report (page 71).

**TCFD Index**

The Task Force on Climate-related Financial Disclosures (TCFD), founded by the G20 Financial Stability Board (a grouping of 19 countries and the European Union representing major developed and emerging economies), has developed a unified framework for reporting climate-related risks and opportunities. The framework focuses on the disclosure of financial risks that companies are exposed to as a result of climate change. A content overview is provided in the following index to the TCFD recommendations. The index contains references to relevant passages regarding the core elements recommended by the TCFD: governance, strategy, risk management as well as metrics and targets. Not all recommendations can be implemented in detail at the current time.

Core elements	Climate-related disclosures
<b>Governance</b>	
<p>Disclose the organization's governance around climate-related risks and opportunities</p>	<p>As part of its overall responsibility for the Group-wide risk management system, the Management Board bears responsibility for climate-related risks and ensures that the sustainability strategy is implemented. The CEO is functionally responsible for the area of sustainability. The Corporate Strategic Sustainability Department is responsible for sustainability management. In addition, there is an interdisciplinary Sustainability Committee.</p> <p><b>Additional information:</b></p> <ul style="list-style-type: none"> <li>▪ Annual Report 2023 (Risks and opportunities)</li> <li>▪ Sustainability Reporting 2023 (Sustainability management)</li> </ul>



<p>Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy and financial planning where such information is material</p>	<p>Klößner &amp; Co views the issue of sustainability in the steel industry as a strategic opportunity and has enshrined its sustainable transformation in the Group strategy, "Klößner &amp; Co 2025: Leveraging Strengths." Klößner &amp; Co aims to become the leading one-stop shop for steel, other materials, equipment and processing services in Europe and the Americas as well as a pioneer for sustainability in the steel industry. On the way to a sustainable steel industry, we will exploit the strategic opportunities presented by decarbonization. Klößner &amp; Co works continuously to expand its portfolio of sustainable products and services to further establish its role as a pioneer of a sustainable steel industry.</p> <p>Based on our risk assessment, we do not currently see any significant climate-related risks for Klößner &amp; Co. In particular, our broad supplier base and decentralized location structure allow us to reduce the impact of physical climate risks.</p> <p>The high volatility of energy prices is regarded as a significant strategic risk. The growing relevance of environmental and sustainability issues, such as carbon pricing, could put additional upward pressure on energy prices in the long term. In response to this challenge, the Group is further rolling out its sustainability concept. This includes initiatives such as tracking and monitoring carbon emissions and actions to optimize the vehicle fleet and energy consumption in general. To reduce environmental risks, we have set ourselves ambitious climate targets.</p> <p>In addition, our transformation relies on advancements and innovations in the upstream supply chain, which accounts for the majority of carbon emissions from the products we sell. We are addressing this risk by already moving today to forge strategic partnerships for the procurement of CO<sub>2</sub>-reduced products.</p> <p><b>Additional information:</b></p> <ul style="list-style-type: none"> <li>▪ Sustainability Reporting 2023 (Sustainability strategy) Annual Report 2023 (Risks and opportunities)</li> <li>▪ Link: <a href="https://www.kloeckner.com/en/sustainability/sustainability-strategy.html">https://www.kloeckner.com/en/sustainability/sustainability-strategy.html</a></li> </ul>
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**Risk management**

Disclose how the organization identifies, assesses and manages climate-related risks

Klöckner & Co integrated the assessment and management of climate-related risks into Group risk management for the first time in 2022. Four risk categories are distinguished in risk identification: Transformation risks, physical risks, regulatory risks and reputation risks. Group risk management is steered by a central risk management function. The Corporate Risk Management Department reviews the risks systematically identified and assessed by risk owners according to risk category and validates their plausibility from the perspective of the Company as a whole. The primary objectives of the risk management system are to identify and assess material risks and, above all, the early detection and active reduction of potential going concern risks. Any significant risks identified are monitored on an ongoing basis in order to prevent, reduce, transfer or limit their potential negative impact or tolerate them, as the case may be. A risk assessment is conducted annually for all material non-financial risks.

**Additional information:**

- Annual Report 2023 (Risks and opportunities)
- Sustainability Reporting 2023 (Risk assessment)

<b>Metrics and targets</b>	
<p>Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material</p>	<p>Current climate metrics consist primarily of the measurement of the carbon footprint from Scope 1, 2 and 3 emissions, as well as the measurement of progress towards our ambitious climate targets. Klöckner &amp; Co is committed to halving its directly controllable Scope 1 and Scope 2 emissions by 2030. With regard to Scope 3 emissions in our direct control, we are likewise going to achieve a 50% reduction by 2030. We look at the entire supply chain – including Scope 3 emissions not in our direct control. We will achieve a 30% reduction of these carbon emissions by as early as 2030 (page 4). In addition, we have set ourselves further ambitious targets as part of the "kloeckner takes action 2040" initiative. Klöckner &amp; Co plans to reduce all directly controllable carbon emissions (Scope 1, Scope 2 and directly controllable Scope 3 emissions) to net zero by 2040. Emissions that we can only control indirectly – primarily from externally sourced steel products – are to be cut to net zero by 2050. These targets have been validated by the Science Based Targets initiative. As reducing carbon emissions is central to the mitigation of climate-related risks, we consider Scope 1, 2 and 3 emissions to be key metrics. To better ensure the achievability of our overarching net zero targets and to underscore their importance, the achievement of emission reduction targets has been integrated into the bonus structure. The targets apply uniformly to the Management Board, the entire first management level below the Group Management Board and executives at levels two and three.</p> <p><b>Additional information:</b></p> <ul style="list-style-type: none"> <li>▪ Sustainability Reporting 2023 (Sustainability management)</li> <li>▪ URL: <a href="https://www.kloeckner.com/en/sustainability/kloeckner-takes-action-2040.html">https://www.kloeckner.com/en/sustainability/kloeckner-takes-action-2040.html</a></li> </ul>

### Sustainable Development Goals

We support the United Nations 2030 Agenda for Sustainable Development and the 17 Sustainable Development Goals derived from it. In the context of our business activities, some of the goals and indicators have particular relevance for our economic activities. For these goals, we see special responsibility and opportunities for influence, which vary depending on the goal. We take into account the impact that Klöckner & Co has on the achievement of the goals. We support the goals by continuously improving our business processes and services while reducing the negative and maximizing the positive impacts of our business activities. Our action areas for sustainability are reflective of the high relevance that the pursuit of these specific goals has for us.

Sustainable Development Goals with particular relevance for sustainability management at Klöckner & Co:

#### A safe and healthy working environment



An important prerequisite for our success and sustainable development is the safety and well-being of our employees and business partners. With our Group-wide "Safety 1<sup>st</sup>" program, we aim to protect our employees, provide safe working conditions and minimize health risks. Klöckner & Co stands for safe, fair and clean labor standards and processes. For this reason, we use the lost time injury frequency (LTIF) indicator as a non-financial performance indicator.

As a Group operating globally, we pay special attention to respect for human rights as well as social and ecological aspects in our worldwide supply chains. In order to demand the same from our suppliers, we further supplemented our Supplier Code of Conduct in the past year.

Read more about how we create a safe working environment in the chapters Environment, Employees and Responsible Conduct.



### Future-proof employment based on diversity and high-quality training



Klöckner & Co is committed to providing an appreciative and prejudice-free working environment. We leverage different ways of thinking, experiences, perspectives and lifestyles for innovative strength and the Company's long-term success. We want to drive sustainable economic growth through diversity and the efficient use of resources. In terms of equal opportunity, the inclusion of women in specialist and management positions is an important concern for us as well. We have set ourselves the Group-wide goal of increasing the percentage of women in management positions and are committed as a company to the acceptance of diverse lifestyles both in the workplace and in the community.

We promote reasonable and fair labor and social standards. In addition, we assume social responsibility – for example through monetary and in-kind donations, knowledge transfer and the personal engagement of our employees.

Learn more about high-quality training and continuing education for our employees as well as respect for human rights, and sponsorship activities with a focus on education in the chapters Employees, Responsible Conduct and Digitalization.

### Active climate change mitigation and the promotion of sustainable products and services



All of Klöckner & Co's net zero carbon targets have been recognized by the Science Based Targets initiative (SBTi) as science-based targets in the standard validation process.

The sustainable strategic orientation of our business makes us pioneers in our industry and means we can actively drive the sustainable transformation of the economy and society. We are committed to reducing the environmental impact of our own business activities and increasingly establishing elements of the circular economy.

Read more about our measures to reduce emissions and how we are further developing sustainable and digital product solutions and services in the chapters Environment, Digitalization and Customers.

## EMPLOYEES

*In the **Employees action area**, we cover our employees' skills, knowledge and behaviors. These also include the following topics that are material to the Group non-financial report: occupational health and safety, employee development and fair working conditions.*

For Klöckner & Co, qualified, motivated and healthy employees are the basis on which value is added: For our employees, our company and for our customers. If we are to strengthen motivation among the entire workforce, nurture talent from within our own ranks, recruit new talent and secure employee loyalty, we need a working environment characterized by long-term security, supportiveness, professionalism and mutual respect.

This is also reflected in our Klöckner & Co values, which apply equally to all employees. These are the cornerstones of our corporate culture and the foundation of our success. The culture of Klöckner & Co centers on the values of Collaboration, Excellence and Responsibility, which guide us in our conduct at all levels. By "Collaboration" we mean our collective work as a team, which extends far beyond individual departments and country organizations and is characterized by mutual trust and open communication. Under our value of "Excellence", we strive for the best solutions for our customers and aim to create added value. "Responsibility" accompanies us in everything we do, from the safety of our employees to our commitment along the entire value chain to people and the planet. We live these values every day; they shape the way we think and the way we work together in our team and with our customers. At the same time, they provide our employees with guidance for their day-to-day actions.

In the fall of 2023, we once again conducted a Group-wide employee survey. All Group companies participated with the exception of XOM and the French country organization. The participation rate decreased slightly compared to the prior year, from 69% to 67%. The questions that received the most positive responses were whether employees feel they are treated with respect by their immediate supervisor (89%), whether their immediate supervisor safeguards the team's occupational safety at work (86%) and whether everyone knows how they can contribute to the Company's goals (86%). Almost three out of four of our employees (74%) would recommend Klöckner & Co as an employer. Despite the overall positive findings, employees still saw room for improvement in the use of the employee development measures on offer. Since the survey was conducted with site-level granularity, we can take targeted measures in response. The survey findings are being used to implement systematic change management and provide the basis for initiating new HR management measures and developing our culture.

In response to the challenging macroeconomic environment, Klöckner & Co decided in the course of the reporting year to make its European business more resilient. As part of a European efficiency program, it was therefore also decided to reduce the workforce in the European distribution business by approximately 10%.

## Employee development

Continuing education is a key component of our corporate culture. That is why we offer employees a wide variety of continuing education and personal development opportunities. Our activities are directed at continually refining and enhancing workforce qualifications and skills and promoting talent from within our own ranks. Our Group-wide HR strategy, known as the Klöckner & Co People Strategy, serves as a guide for forward-looking employee management throughout the Group. In the country organizations, local HR departments manage and implement the measures under the Klöckner & Co People Strategy.

*Some 47,100 in-house training courses completed*

Group-wide, over 47,100 in-house training units were completed in a broad spectrum of areas in the reporting year. The majority of these were in IT security, compliance and future skills development as part of the Klöckner Academy. In addition, two new courses focusing on sustainability were launched at the Klöckner Academy in the reporting year, providing an introduction to the basic subject matter and demonstrating how various occupational groups can develop their knowledge in the area of sustainability. Sales training on our Nexigen® solutions and CO<sub>2</sub>-reduced steel and metal products was also provided for over 1,000 employees in our country organizations. Employees receive feedback on their conduct and performance in up to four reviews each year. Individual wishes and employee development measures are incorporated in target agreements. We attach particular importance to our internal continuing education programs:

Internal continuing education program	Type	Content	Scope
CLEAR Sales	Sales training	Communication Establishing/ strengthening customer relations	Europe-wide
Sales X	Sales training	Field work	US-wide
Initial development program (Country talent pool)	Young talent development	Strengthening strategic and specialist skills Change management	Europe-wide
Emerging Leaders Program	Leadership potential development	Strategic issues Leadership skills Change management Agile working methodologies	Group-wide
Leading for Success	Leadership potential development	Communication Personality management Lean management Change management	US-wide
Leadership Empowerment Program	Management training	Strategic issues Leadership skills Change management Agile working methodologies	Group-wide
Senior Experience Program	Development training 55+	Impact planning for the future career phase	Europe-wide

Employees action area

Klöckner & Co offers career starters and students opportunities throughout the Group to apply and deepen the knowledge acquired in their studies in practice in the form of internships and student trainee placements. Our German activities follow the quality standards of the Handelsblatt Fair Company Initiative – Germany's largest employer initiative – to which Klöckner & Co reaffirms its commitment each year. We also offer a large number of apprenticeships and equivalent programs to provide young people with a career entry point while ensuring that Klöckner & Co is able to secure access to well-qualified young talent. In Germany, apprentices accounted for 3.4% of our entire workforce in the reporting year.

**Occupational health and safety**

As a steel distributor with a high percentage of wage earners employed at our stockholding locations, occupational health and safety is a key issue for us and a major element of our internal safety, health, environment and quality (SHEQ) policy. A healthy and safe working environment both protects our employees and supports smooth workflows.

In addition to the legal requirements, the topic of occupational safety is addressed at various levels of Klöckner & Co. At a corporate strategic level, all our occupational safety activities have been brought together under the Safety 1<sup>st</sup> initiative in Europe and comparable initiatives at our American country organizations since 2013. With guidance from a worldwide survey conducted in 2018 entitled Safety Perception, recommendations were made that continue to serve as the basis for continuous improvements.

The Group-wide goal of our occupational safety initiatives and activities is a consistent reduction in occupational accidents as measured by the lost time injury frequency (LTIF). This is defined as the number of accidents/number of hours worked x 1,000,000. We take accidents into account from the first working day lost. Changes in the LTIF are a firm feature of regular Management and Supervisory Board meetings, in which monthly reporting is carried out. The LTIF was reduced from 5.8 in the prior year to 5.7<sup>\*)</sup> in the 2023 reporting year. This means that the Group met its LTIF target for 2023 of less than or equal to 5.9. Against the backdrop of systematically updated targets for the reduction of Group-wide average accident frequency, the target for the coming 2024 reporting year is an LTIF of less than or equal to 5.0.<sup>\*\*)</sup> Unfortunately, we recorded one fatal accident in the reporting period. We report this with exceptional regret.

*LTIF reduced to 5.7 in 2023*

<sup>\*)</sup> Including accidents reported up to February 15, 2024.

<sup>\*\*)</sup> The LTIF applies solely to Klöckner & Co employees. Commuting accidents are not included.

(€ million)	Group, total			Group, continuing operations <sup>1)</sup>		
	2023	2022	Variance	2023	2022	Variance
LTIF	5.7	5.8	-0.1	6.0	6.3	-0.3

<sup>1)</sup> In December 2023, the Group received an irrevocable offer that included the sale of the steel distribution business in France, Belgium, the Netherlands and the United Kingdom. The Group accepted the offer on February 15, 2024 (see the Annual Report 2023, p. 32).



**Within the Group**, regular exchange on occupational safety is ensured by a global working group consisting of the relevant managers from our country organizations. It meets at least three times a year and is responsible for monitoring overall activities and coordinating our occupational safety strategy. The working group reports directly to the chief operating officers. It was able to resume its annual in-person meeting in the 2023 reporting year. This took place at the Kloeckner Metals UK site in Thurrock, United Kingdom, and included two days of joint training units on the topics of occupational safety and effective safety culture, as well as specialist exchange between the safety officers of the country organizations.

All the major European country organizations have already implemented occupational health and safety certification, usually under the international standard OHSAS 18001/ISO 45001. Apart from that, a Group-wide minimum standard always applies to safety requirements, independent of whether a country organization is pursuing certification.

**At country and branch level**, occupational safety teams at each of our country organizations work continuously to systematically reduce the risk of accidents and to raise occupational safety awareness among the workforce. Officers at each country organization are responsible for the regional implementation of adopted measures, subject accident causes to plausibility checking, perform risk analyses and coordinate cross-site trainings.

Local occupational health and safety officers are present at branch level to raise awareness of employees. This is done, for example, by using training courses and training videos as well as visual management tools such as posters. To mark the International Labor Organization's (ILO) annual World Day for Safety and Health at Work, the Company launched a central "Watch Your Next Step" poster campaign encouraging employees to stay safety-conscious. In addition, the country organizations each coordinate individual measures and campaigns focusing on areas for improvement that they have identified. In the United Kingdom, a major initiative was launched at the Leeds site this year to raise safety awareness among the entire workforce. With the support of an external consultancy, all employees up to top management level were trained throughout the year on how to create and communicate an effective occupational safety culture. The US country organization has a safety program called Top Dog, in which employees receive monthly, quarterly and annual awards for their safety efforts. Employees nominate colleagues for the award at national level as occupational safety pioneers. Since the program was launched in 2022, the number of lost-time accidents has already been reduced by 29%. Our operational processes are also optimized with individual improvements on an ongoing basis. Examples include a series of training videos and a Safety 1<sup>st</sup> e-learning course that is a firm feature of the onboarding process for new employees.

Employees action area

Accidents are always avoidable and preventive action enables us to proactively avert loss or harm to employees or our business in advance. In the event that an accident does happen, the occupational health and safety officer analyzes it together with those concerned in local teams in order to identify measures for improvement and systematically avoid a repeat occurrence. The country organization officer files a detailed accident report to the holding company's occupational health and safety officer via our reporting system. Additional specific action is taken in the event of any unusual occurrences such as a spate of similar accidents at one country organization or site. Occupational safety is always the first topic on the agenda at the monthly business update calls with the Group Management Board, the managements of the country organizations and department heads at the holding company. This ensures ongoing awareness at top management level.

**Hybrid working**

Hybrid working has become the new standard in many areas at Klöckner & Co. This development prompted us to issue a new Group-wide guideline on hybrid working in 2023. It serves as our future standard for sustainable modern working practices. All employees who wish to make use of mobile working are free to do so where business needs allow it. As a general rule, the recommendation is a maximum of three days per week working from home and at least two working days in the office, including two fixed team presence days per month. The new guideline also has an additional advantage in terms of climate change mitigation. Reducing our employees' commutes makes it possible to reduce carbon emissions.

**Fair working conditions**

For Klöckner & Co, fair working conditions are the basis for the motivation, and hence productivity, of our employees. We are therefore committed to ensuring a working environment characterized by mutual respect and free from discrimination of any kind. In this way, we aim to create an environment that fosters diversity, motivation and creativity. With our Code of Conduct, we have undertaken the goal to ensure, among other things, that our colleagues, applicants and business partners are met with respect and judged according to their qualifications, skills and performance. We respect diversity of cultural, ethnic and religious backgrounds and are committed to the principle of equality. Detailed rules of conduct for our employees are set out in our Code of Conduct on our website. Resolving critical situations and supporting employees to ensure a constructive and respectful work environment is the responsibility of all functional managers – where necessary in consultation with the Human Rights Office and local and corporate human resources functions. To do justice to its importance, the topic of respectful interaction is a component of the Group-wide compliance training for all employees.

In general, we strive to increase diversity in our workforce as well as to foster creativity and an innovative spirit in the Company with employees of differing cultural backgrounds, lifestyles and values. For us as an international Group, serving our customers day in, day out in numerous countries around the world calls for strong teams with high levels of diversity.

An important goal for Klöckner & Co is the recruitment of women for specialist and management positions. The percentage of women employed at management levels one to three below Management Board level has already been raised from 8% in 2011 to 19% Group-wide in the reporting period. The aim is to further increase their share to 21% by the end of 2024.

The success of our approach to promoting women in managerial positions is demonstrated by the top-ten rankings in the 2015 to 2022 iterations of the "Frauen-Karriere-Index" (Women Career Index), a regular survey conducted by Barbara Lutz Index Management GmbH. In this year's survey, based on objective corporate data for the promotion of women in management positions, Klöckner & Co was singled out as a top ten company for the eighth time to receive the FKl Diversity For Success Award.

To advance diversity management more actively and in all dimensions, Klöckner & Co signed the Charta der Vielfalt, or Diversity Charter, in April 2021. The association that goes by the same name is the largest employer initiative in Germany for the promotion of diversity in companies and institutions. Irrespective of any given site's location in Germany, the voluntary entered commitments are valid throughout the Group. These include fostering a respectful organizational culture, recognizing diversity inside and outside the organization, and implementing the charter in internal and external dialog. Setting an example for diversity and tolerance, Klöckner & Co sponsored Christopher Street Day in Duisburg in the reporting year and founded Kloeckner Pride, an internal network for LGBTQ+ people and their supporters that draws its membership from throughout the Group.

## RESPONSIBLE CONDUCT

*The **Responsible Conduct action area** encompasses topics material to the Group non-financial report, namely corporate governance, human rights in the supply chain and antitrust risks, as well as Klöckner & Co's social commitment, which is also reported on within this section.*

Klöckner & Co takes a holistic approach to responsible conduct. Consequently, although it is defined here as a single action area, it may also be regarded as an overarching concept that encompasses all other action areas. This is because, for Klöckner & Co, responsible conduct based on ethical convictions paves the way for long-term business success and hence also for sustainability.

Ensuring adherence to international regulations and fair conduct toward our business partners and competitors is one of our Company's guiding principles. Klöckner & Co SE considers itself to be bound in this connection not only by statutory and other legal provisions. Voluntary obligations and ethical principles are likewise integral to our corporate culture and our values.

A core element of our corporate culture is compliance on the part of our employees and business partners, constituting the basis of corporate responsibility. Alongside consistent respect for human rights, social responsibility and sustainability, adherence to our fundamental corporate values and principles is of central importance to us. We have formulated these in our Code of Conduct, which is based on the following core values:

- Responsibility and credibility
- Sustainability and safety
- People empowerment

Compliance with this is the direct responsibility of each individual and cannot be delegated.

### **Compliance**

As an international group with numerous supplier and customer relationships worldwide, Klöckner & Co aims to ensure integrity and responsibility both within the Company and in interactions with business partners, as well as to establish responsible relationships. As a fundamental rule, we aim to avoid situations involving potential corruption or antitrust conduct and to counteract potential violations at an early stage. Every employee is called upon to actively help implement the Klöckner & Co compliance program within their sphere of responsibility.

One of Klöckner & Co's fundamental principles is that our employees act in accordance with prevailing competition law. We are committed to free competition and to the recommendations of the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions of December 17, 1997. Klöckner & Co also endeavors to comply with all anti-corruption laws of the countries in which we do business, including the UK Bribery Act, the US Foreign Corrupt Practices Act and the French anti-corruption act, Sapin II.

*Compliance management system  
based on OECD principles*

### **Compliance Organization**

To support compliance with these stipulations, we use a compliance management system (CMS) based on the OECD Principles of Corporate Governance. Focal areas of this system include competition law, anti-corruption, anti-money laundering and compliance with the sanctions and foreign trade regimes relevant to Klöckner & Co. Responsibility for the onward development, control and implementation of the compliance management system lies with our compliance organization, which provides employees with regular information and training on relevant statutory provisions as well as internal policies and procedural instructions.

The Company's corporate compliance organization consists of the Chief Governance Officer, the Corporate Compliance Office (CCO), the Compliance Committee and the National Compliance Offices (NCOs). The CCO is part of the Company's GRC organization. This consists of the Compliance, Data Protection, Information Security, Risk Management and Internal Control System departments. The compliance officers at the NCOs are available as contacts for individual questions. The appropriateness, implementation and effectiveness of the CMS are regularly reviewed by both the Corporate Internal Audit Department and an outside expert (most recently at the end of 2021).

### **Prevention**

Prevention is the most important fundamental element of the CMS. The aim is to create an awareness of compliance risks within the Company, thus enabling such risks to be identified and avoided at an early stage. Various compliance tools are used to achieve this aim.

*Zero tolerance policy*

The Company's Management Board has unequivocally expressed its policy with regard to compliance violations in "Tone from the Top" published on the Company website. Breaches of the law, in particular antitrust, anti-corruption, anti-money laundering and human rights violations, are not tolerated in any way and result in sanctions against the offending governing bodies, employees or business partners ("Zero Tolerance Policy").

For compliance communication, the CCO makes use of the Viva Engage collaboration tool and the Teams chat-based virtual workspace. These are used to publish compliance-relevant matters and warnings, for example of current cases of identity fraud. From them, all employees can also directly access the compliance platform. Modules currently in use on the platform cover requests and approvals ("Ask Compliance"), vetting business partners ("Due Diligence"), a whistleblower system ("Let Us Know"), the Compliance SharePoint and the integrated Case Management Tool. The Compliance SharePoint serves as a "single point of truth" providing all relevant compliance documents, and is administered centrally by the CCO.

### Compliance risk assessment

To identify and assess potential compliance risks within the focal areas of the CMS, the CCO regularly conducts compliance risk assessments with the country organizations. Together with the managing directors of the various country organizations, the CCO assesses the individual compliance risks in terms of relevance and probability of occurrence for the specific business model together with the potential legal and financial impacts on the country organization. On the basis of these assessments, precautionary measures are taken and, where necessary, adjustments made to the CMS. In cooperation with the Corporate Internal Audit Department, compliance audits are also carried out in our country organizations as part of the scheduled ICS audits to verify adherence to the compliance tools and implemented rules.

### Code of Conduct, directives and procedural instructions

The Code of Conduct published on the Company website and elsewhere sets out basic rules and principles as a framework for our business activities and social engagement. Members of the Management Board and all managerial personnel are required to lead by example and have heightened responsibility for ensuring that the Code of Conduct is put into practice. Moreover, all employees are called upon to contribute actively in applying and adhering to these principles across their areas of responsibility and to act with integrity in their work within our Company. In the interest of all employees and to avert damage to the Company, directives and procedural instructions are provided that detail permissible conduct. The country organizations adopt the measures needed to implement the respective requirements.

### Compliance training

All Group employees are required to participate in a Group-wide training program to raise awareness of our Code of Conduct. The training program is divided into various modules for the different target groups, whose knowledge is kept up to date through regular refresher training sessions. Mandatory training modules are assigned to employees and completion is monitored in an IT-based learning management system.

As part of the onboarding program, classroom training and e-learning programs familiarize new employees with the content of the Code of Conduct and raise awareness about, for instance, compliance-related issues such as anti-discrimination measures, antitrust law, corruption risks and money laundering risks. We first separate employees into different target groups which then receive training tailored to their specific areas of work. In the reporting period, compliance training was assigned to 6,355<sup>\*)</sup> employees, 4,261<sup>\*)</sup> of whom were enrolled in the Code of Conduct refresher training, which also included renewing their declaration of commitment to the Code of Conduct and, for Level 1 and 2 management, and additionally confirming that the self-disclosure provided as part of integrity screening continued to apply. Upon starting work for the Group, new employees in certain target groups, especially those who come into contact with officials, customers, suppliers and service providers, must complete basic compliance training in addition to Code of Conduct training. In the reporting period, 679 employees were registered for basic compliance training. In addition, we provided basic compliance refresher training to 310<sup>\*)</sup> employees during the reporting period. The focus of this training was on refreshing antitrust rules.

<sup>\*)</sup> Data for the period October 1, 2022 to September 30, 2023.

### **Corruption prevention**

To prevent corruption risks, the Company has established strict rules on hiring third-party brokers, whose integrity is assessed with the aid of an external service provider before entering into any contract. This review is repeated at regular intervals according to risk. All customer and supplier relationships are screened against sanction lists relevant to the Company. For this purpose, the Company uses software from an external service provider. To prevent money laundering, the Company has severely restricted cash payments. Compliance with due diligence requirements under money laundering legislation is monitored by means of organizational measures and IT-based checks. The top two levels of management and all board members are subject to integrity screening before engagement or appointment.

### **Detection and reporting**

Potential compliance violations can be reported anonymously to the CCO. Employees and also third parties can report potential violations of our Code of Conduct on the Company website or by using the in-house compliance platform operated by an external service provider. A free-of-charge telephone hotline is also available 24/7 worldwide. The effectiveness of our CMS is reflected in the figures: We had no serious breach of our guidelines to report this year, and none of our 10<sup>\*)</sup> reviews of individual business sites by Internal Audit identified any antitrust risks or corruption or bribery infringements.

In a regular reporting cycle and in urgent cases on an ad-hoc basis, the Chief Governance Officer (CGO) reports to the Company's entire Management Board and Supervisory Board on current compliance-related developments in the Group. Furthermore, the CEO, who is responsible for Compliance, is regularly informed of relevant matters through Compliance Risk Assessment reporting and the Compliance Audits as well as during regular compliance meetings and in the annual compliance report. In line with the Management Board's zero tolerance policy, compliance violations are strictly pursued and sanctioned.

\*) Data for the period October 1, 2022 to September 30, 2023.

### **Human rights in the supply chain**

For us at Klöckner & Co, respect for human rights is a fundamental component of responsible conduct. Meeting our human rights due diligence obligation is one of Klöckner & Co's core values and is firmly anchored in our strategy and our policies. Based on our business model as a link between steel/metal production and consumption, we not only acknowledge our responsibility for human rights in our own business area, but also strive to ensure that those rights are complied with in our global value chain. We expect that our direct business partners likewise commit to respect for human rights, apply corresponding due diligence processes and pass this expectation on to their own suppliers.

As laid down in our Code of Conduct and further elaborated in our Group human rights policy statement, Klöckner & Co does not tolerate any violation of the principles there stated. Alongside observance of laws and human rights, these principles include, in particular, the prohibition of child labor and any form of forced labor, protecting against discrimination, ensuring workforce health and safety, the freedom of association and assembly as well as compliance with the statutory minimum wage and working hours.



Responsible Conduct  
action area

In order to clearly convey this expectation to our suppliers, we thoroughly revised our Group-wide Supplier Code of Conduct in 2022, among other things to already take into account the requirements of the German Act on Corporate Due Diligence Obligations in Supply Chains. Our Supplier Code of Conduct now has an even stronger focus on the prevention of human rights and environmental risks, and underscores our clear expectation that our suppliers actively identify and assess such risks in their own operations and supply chains, and prevent or minimize them within their sphere of influence.

*Revised Supplier Code of Conduct  
for all core suppliers*

Prudent and responsible product procurement is of special importance to Klöckner & Co. For example, a key goal in the procurement process is to ensure that minerals contained in our products are not from conflict states. The Company seeks to ensure compliance with supply chain due diligence requirements for raw materials from conflict-affected and high-risk areas and restricts the use of certain hazardous substances in electrical and electronic equipment. Dual-use goods and related foreign trade stipulations are centrally monitored with systemic checks in the IT systems. Of particular interest in this regard are conflict minerals such as columbite tantalite (coltan), cassiterite, gold, wolframite and derivatives, which include tantalum, tin and tungsten. The annual review of our product portfolio in fiscal year 2023 showed that less than 0.1% of our products possibly contain tantalum, tin or tungsten. We use the Responsible Minerals Initiative's "Conflict Minerals Reporting Template" to systematically track the provenance of conflict minerals for all relevant suppliers if our customers request corresponding proof. We expect our suppliers, together with their subcontractors, to trace conflict minerals at least to where they were smelted and to commit to standard reporting processes. We further expect our suppliers to retain the relevant documentary proof for five years and to submit it to Klöckner & Co upon request. Should a supplier fail to provide proof of origin for conflict minerals, further purchases from that supplier are systematically blocked. The same applies if the supplier does not acknowledge the above principles regarding the source of conflict minerals. In the 2023 reporting year, no suppliers needed to be blocked for failure to provide proof.

**Supply Chain Act**

The Act on Corporate Due Diligence Obligations for the Prevention of Human Rights Violations in Supply Chains (Supply Chain Act) adopted in July 2021 also affects Klöckner & Co from 2024 onwards. In order to comply with our future due diligence obligations, we carried out a risk analysis and installed a risk management system during the reporting period. We have also established a Human Rights Office in the Corporate Strategic Sustainability Department, which develops measures, trainings and tools to meet human rights and environmental due diligence obligations.

**Social commitment**

Klöckner & Co's global and economic position gives rise to responsibility not only for our employees, but also toward the regions in which our headquarters and branches are located. We consequently give our commitment to the immediate surroundings of our sites and, in this way, play our part in meeting social challenges.

Our goal is for the financial support we provide to benefit those who really need it. Donation and sponsoring activities are conducted autonomously by our country organizations as they are best placed to judge individual needs in their region. They are provided with a framework in the form of Group-wide procedural instructions through which we ensure that our activities have a common thrust while being tailored to individual market conditions. The focus of our activities is on supporting selected scientific, sports, art and cultural projects along with ongoing promotion of education initiatives and the integration of refugees into our society. In order to avoid conflicts of interest, we do not as a matter of principle donate to political parties, individuals, for-profit organizations or organizations whose goals conflict with our corporate governance principles or could harm our reputation.

The Klöckner & Co holding company has a clear long-term strategy for supporting non-profit projects in Germany: Our aim is to improve educational opportunities long-term for disadvantaged children who live in our immediate vicinity. For over ten years now, we have focused on neighborhood work in the Marxloh area of Duisburg, where a large number of residents have a migrant background. In this area, we work with schools, children's and youth services as well as additional regional partners.

In 2012, we joined forces with the Ruhr Piano Festival Foundation and created a multi-award-winning education project to foster children's musical and artistic development, which was initially launched at two schools. Over 800 children and teenagers from five schools and daycare centers in Duisburg-Marxloh now participate.

*Successful partnership with the ReDI School in Duisburg*

In the reporting year, Klöckner & Co continued to provide support as the main sponsor of the ReDI School of Digital Integration (ReDI School), a non-profit coding school, as part of the Kids and Youth Program in Duisburg's Marxloh neighborhood. The coding school has developed very positively since the joint inauguration of the Duisburg-Marxloh site in 2019: Compared to the prior year, the number of participating students increased from 500 to 700. The significant growth notwithstanding, the Kids and Youth Program remains focused on promoting job integration, acquiring technical and soft skills, and building media skills.

In our international business, each country sets its own priorities within the framework of our donation policy. In the reporting year, our Swiss country organization placed the focus on vocational training and promotion with involvement in various local initiatives, among other things as a sponsor of the SwissSkills vocational championships to promote young talent in building technology, metal construction and carpentry. In the Klöckner Cares program, the national country organizations also support regional organizations that address the needs of their communities. The program also enables employees to get involved by volunteering to help those in need.

## ENVIRONMENT

*Environmental criteria have a high priority in the Klöckner & Co Group. In the **Environment action area**, we address the sustainable transformation of our products and services and the environmental impacts of logistics, this being where we have a major influence on reducing emissions. This is also a material reporting topic for Klöckner & Co. In this chapter, we also report on activities designed to build an emission-free value chain.*

### **Environmental impact of logistics**

Environmental protection is an important part of our SHEQ policy – our internal occupational safety, health, environment and quality policy. This international Group policy covers all relevant environmental aspects, from the conservation of natural resources and implementation of renewable energy to the reduction of emissions and waste. Governance functions related to sustainability are the responsibility of the Corporate Strategic Sustainability Department. The CEO is functionally responsible for this area. Local implementation is the responsibility of our country organizations, which decide on specific measures and initiatives.

A part of our business model that has direct environmental impact consists of shipping products to customers by truck. One of our key tasks in the Environment action area is therefore minimizing the environmental impact of our logistics processes along our supply chain. We endeavor to influence the environmental impact of logistics at three levels in our value chain as a matter of principle: The receipt of goods, internal transport and delivery to our customers. In this context, a comprehensive data base and digitalization are vital to the implementation of efficiency measures as they ensure transparency, which leads to sustainable actions along the entire supply chain. Thanks to this supply chain optimization, we can achieve positive effects by reducing inefficiency in procurement, material planning, production, processing, transportation and logistics. This prevents incorrect shipments, cuts inventory and warehousing costs, and reduces the number of trips made.

*Optimizing logistics processes and reducing carbon emissions*

Through the targeted coordination of suppliers and the receipt of goods at the first level coupled with enhanced inventory management at the second level, we aim to reduce the internal transport between our sites. This is achieved, for example, through optimized inventory allocation and by continually checking our internal network structures in each country organization. By monitoring and reporting relevant KPIs such as transport, warehousing costs and shipments, we can see where networks require adjustment. These measures create synergies in processing and customer deliveries.

On the third level, we pay particular attention to the efficiency of our delivery routes. Adherence to delivery deadlines, optimum truck capacity utilization and route-optimized trip planning are key to quality in delivery tour planning. This led us to launch a universal rollout of transportation planning software back in 2017. It is in operation throughout our EU country organizations with the exception of France. The transportation planning software delivers the data we need to reduce the fuel consumption of the trucks we use. This can include tactics such as avoiding empty runs and fine-tuning delivery frequencies. Since the beginning of 2020, Kloeckner Metals Germany, Kloeckner Metals UK and Kloeckner Metals Benelux have been using the ePOD app as a way to further improve logistics processes. The app supports the drivers during the delivery routes and forms the basis for digital documentation and transparency along the supply chain. On-board computers give the drivers in our modern fleet feedback on driving behavior, vehicle speed and engine speed, thus helping to reduce truck fuel consumption and thereby carbon emissions as well. In addition, our drivers in Germany and the United Kingdom are provided with road training and regular feedback on their driving behavior.

*Gradual conversion of the vehicle fleet*

Alongside the already implemented efficiency and digitalization measures, we are also committed to the long-term conversion of our logistics vehicles from internal combustion engines to more sustainable propulsion options and electric mobility. In the reporting year, our US country organization purchased a heavy-duty electric forklift that saves around 80 tons of carbon emissions a year. Our UK country organization has expanded the vehicle fleet from 20 to 33 trucks that run on certified hydro-treated vegetable oil (HVO). Overall, the vehicles offer an approximately 90% reduction in carbon emissions over the entire fuel supply chain ("well to wheel") compared to conventional diesel vehicles. The first fully electric truck was taken into operation at the German country organization in the reporting year. Additional electric trucks are planned in the Group by 2024. With these measures, we are expanding our portfolio of sustainable logistics services.

All net zero carbon targets  
recognized by the SBTi

### Sustainable business models

Our net zero carbon targets were recognized in 2022 by the Science Based Targets initiative (SBTi) as science-based targets in the standard validation process. This means that our reduction path is in line with the current state of scientific knowledge and therefore with the Paris Climate Agreement target of limiting global warming to 1.5 °C.

In a further step toward more sustainable business models, we have introduced rating scales for our CO<sub>2</sub>-reduced steel, stainless steel and aluminum products. These categories are rooted in international, science-based standards and group the CO<sub>2</sub>-reduced materials according to their certified emissions along the entire value chain from resource extraction to production and processing, or cradle to Klöckner exit gate. In this way, we provide transparency for our customers in the fast-growing and otherwise non-transparent market for CO<sub>2</sub>-reduced steel and metal products. By developing these categories, we aim to avoid greenwashing and help our customers chart out clear paths to future carbon reductions. Through partnerships, we already offer our customers CO<sub>2</sub>-reduced steel and metal products today.

We have brought together our entire CO<sub>2</sub>-reduced product portfolio under the Nexigen® umbrella brand. In this way, we offer our customers transparent, CO<sub>2</sub>-reduced solutions in the area of materials, operations and logistics that help them establish sustainable supply chains. Klöckner & Co recorded transactions involving CO<sub>2</sub>-reduced steel across almost all main customer segments and various industries in the reporting year.

Our technology-based initiatives enable us to increase transparency on carbon emissions in the supply chain. The Nexigen® PCF Algorithm, which we developed in-house, enables the automated calculation of the Product Carbon Footprint (PCF) for almost all of our 200,000 products using a calculation method that is certified by TÜV SÜD. A web-based technology solution based on this algorithm, our Nexigen® Data Services, ensures high levels of data integrity and transparency on carbon emissions of steel and metal products along the entire value chain and presents the data in a form that can be put to meaningful use. This transparency enables customers to track and manage their carbon emission history. They are enabled to actively select CO<sub>2</sub>-reduced products and are automatically shown the reduction potential in order to decarbonize their products. We thus support our customers in the decarbonization of their products by using technology to provide visibility with regard to emissions.

Environment action area

**Conservation of natural resources**

As part of the “kloeckner takes action 2040” initiative, we as a Group have made reducing emissions from our operations and our supply chain the priority in terms of our environmental impacts. Our Scope 1 and 2 emissions amounted to 44.1 thousand tons of CO<sub>2</sub>e in 2023. We have already reduced our Scope 1 and 2 emissions by almost 52% relative to our 2019 baseline. This means we have already achieved our medium-term target – of halving directly controllable Scope 1 and Scope 2 emissions by 2030 – ahead of schedule.

GREENHOUSE GAS EMISSIONS

(in Tt CO <sub>2</sub> e)	Group, total				Group, continuing operations <sup>1)</sup>			
	2023	2022	Variance		2023	2022	Variance	
Scope 1	42.1	45.3	-3.2	-7.1%	37.3	39.5	-2.2	-5.5%
Scope 2 („market-based” <sup>**)</sup>	2.0	7.4	-5.4	-72.8%	1.8	7.4	-5.6	-75.9%
Scope 3 <sup>***)</sup>	7,165	8,803	-1,638	-18.6%	6,316	7,739	-1,423	-18.4%
<i>Thereof Scope 3.1</i>	6,798	8,179	-1,381	-16.9%	6,001	7,194	-1,193	-16.6%

<sup>1)</sup> In December 2023, the Group received an irrevocable offer that included the sale of the steel distribution business in France, Belgium, the Netherlands and the United Kingdom. The Group accepted the offer on February 15, 2024 (see the Annual Report 2023, p. 32).

<sup>\*\*)</sup> Location-based emissions amounted to 27.5 thousand tons of CO<sub>2</sub>e in 2023.

<sup>\*\*\*)</sup> In accordance with GHG Protocol, Scope 3 categories not included: Upstream leased assets (3.8), processing of sold products (3.10), use of sold products (3.11), end-of-life treatment of sold products (3.12), downstream leased assets (3.13), franchises (3.14) and investments (3.15). Calculation methodology for material Scope 3 categories: Purchased goods and services (3.1): average-data method; upstream transportation and distribution (3.4): distance-based method. System boundaries in accordance with GHG Protocol: The categories purchased goods and services (3.1) and capital goods (3.2) include cradle-to-gate emissions. The remaining categories include activities directly associated with Klöckner & Co. All calculations relate in each case to the full activity data for the reporting year. Major reference sources for emission factors: Ecoinvent, Ecometrica, Defra, Ademe.

An important lever for Klöckner & Co's direct emissions is the use of renewable energy. Many of our sites have already switched to renewable electricity. This means that 96% of our global electricity consumption already came from renewable sources in 2023. In addition to the systems already in place in Austria and Brazil, we also installed new photovoltaic systems in the reporting year at our sites in Thurrock (United Kingdom) and Tulare (USA), thus enabling our country organizations to generate renewable energy themselves on the spot. We plan to bring further photovoltaic systems into operation in 2024.

Even though emissions from employee travel only represent a small portion of total Group emissions, we continue to work on solutions to reduce our carbon emissions in this area as well. We already published an updated travel expense policy in 2021 that generally does not permit domestic flights within Europe and provides for offsetting for all flights longer than 1,500 kilometers. In 2023, we further promoted hybrid working in our Company with a revision of our policy on working from home and in doing so also aims to reduce the emissions caused by commuting. With our company car policy for the German country organizations, we have initiated a transformation process to electrify the fleet and centralize fleet management. More than a third of the fleet in Germany was transitioned from fossil fuels to electric vehicles in the reporting year, and the plans are to complete the switch by 2025. The necessary charging infrastructure has been installed at the German country organizations' operating sites. In addition, Klöckner & Co has offered "job tickets" for employees of German country organizations since 2023. This offer has been taken up by more than 20% of employees, who receive a Company-subsidized discount for the use of public transport. In this way, Klöckner & Co is promoting more sustainable mobility and reductions in emissions from commuting. We also conducted a mobility survey at our German country organizations in the reporting year to ensure that the mobility needs of our employees continue to be taken into account and brought into line with sustainability requirements as part of the transformation process.

Our prime focus is on direct emission reduction and avoidance. To address the remaining emissions, in addition to our reduction measures, we decided to offset all of our Scope 1 and 2 carbon emissions from 2022, although without taking them into account against our reduction targets. With our offsetting activities, we support two climate change mitigation projects in Nepal and Rwanda. Both of these projects are certified to the Gold standard of the Swiss Golden Standard Foundation. Their focus is on renewable energy and energy efficiency. We plan to reduce the use of offsetting measures to a minimum in the coming years.

In the area of energy management – besides the switch to renewable energy – our main focus is on reducing energy consumption through smart control and conversion to new technologies.

Energy consumption in GWh	Group, total				Group, continuing operations <sup>*)</sup>			
	2023	2022	Variance		2023	2022	Variance	
Total energy consumption	273.1	271.0	2.1	0.8%	253.1	232.7	20.4	8.8%
Thereof direct energy consumption	179.0	178.3	0.7	0.4%	173.1	155.3	17.9	11.5%
Thereof indirect energy consumption	94.1	92.7	1.5	1.6%	79.9	77.4	2.5	3.3%

<sup>\*)</sup> In December 2023, the Group received an irrevocable offer that included the sale of the steel distribution business in France, Belgium, the Netherlands and the United Kingdom. The Group accepted the offer on February 15, 2024 (see the Annual Report 2023, p. 32).

## Environment action area

In our active water and waste management, we take care to use resources responsibly and protect the environment, as described in our global SHEQ policy. This also ensures compliance with applicable local regulations and standards. Since we use almost no water in our processing, our water impact is extremely low and essentially results in conventional wastewater. Wastewater is also part of the OHSAS 18001 and ISO 45001 standards, to which the majority of our sites are certified. Our water withdrawals amounted to 121.8 thousand m<sup>3</sup> in 2023. We have no operational processes that result in significant water consumption. Our wastewater volume is consequently equal to our water withdrawal volume. As a by-product of our operations, we generated a total of 142.0 thousand tons of waste in the reporting year, of which steel scrap accounted for the largest share at approximately 92%. Because of its importance in the manufacturing of CO<sub>2</sub>-reduced products, this scrap is generally sent to recycling. In this way, Klöckner & Co supports the transformation of the steel industry into a circular economy.

<i>Water withdrawal and waste</i>	<b>2023</b>	Group, total		Group, continuing operations <sup>1)</sup>				
		2022	Variance	<b>2023</b>	2022	Variance		
Water withdrawal in thousand m <sup>3</sup>	121.8	118.8	3.0	2.5%	101.7	97.2	4.5	4.6%
Waste in thousand t	142.0	144.9	-2.9	-2.0%	131.5	123.1	8.4	6.8%
<i>Thereof steel scrap in %</i>	91.7	91.0	0.7	0.8%	92.4	91.3	1.1	1.2%

<sup>\*)</sup> In December 2023, the Group received an irrevocable offer that included the sale of the steel distribution business in France, Belgium, the Netherlands and the United Kingdom. The Group accepted the offer on February 15, 2024 (see the Annual Report 2023, p. 32).



## DIGITALIZATION

*The digital transformation at Klöckner & Co is at the center of the Group strategy. In addition to the opportunities presented by the transformation toward digitalization and automation, however, we also recognize the challenges it presents for our employees. We are meeting this culture change with measures described in the **Digitalization action area**.*

### **Digitalization and automation at Klöckner & Co**

Building on our pioneering role in the digitalization of the steel industry, we will further leverage our potential and extend it to cover the level of automation. We continue to develop innovative digital solutions and digitalize our internal core processes. With seamless, end-to-end process integration featuring a very high degree of digitalization and automation, we can take process speed and efficiency to high levels along the entire value chain.

Besides the systematic digitalization of internal and external processes, an essential component of this digital transformation is a profound cultural shift within the Company. Therefore, our employees need to gradually develop their digital mindset in order to share in our migration to Industry 4.0. All members of the Klöckner & Co SE Management Board are working unitedly to advance our transformation to a one-stop shop for steel, other materials, equipment and processing services in Europe and America. Particular responsibility for implementing the strategy lies with the CEO. He receives regular status and progress updates from the relevant functional managers.

All Group-wide IT and digital capabilities are combined under the umbrella of our digital unit, kloeckner.i. In order to set ourselves apart from the competition even more pronouncedly, we are expanding our digitalization efforts and further automating our internal value chain. We will drive the successful transformation in our markets with results-focused innovation and the development of digital tools. Agility, cross-functional collaboration and employee empowerment are key prerequisites for a successful transformation and better performance. With all our innovative, transformative IT competencies and services united under one roof, our operating units will benefit from more streamlined collaboration and faster development, time to launch and integration of feedback.

kloeckner.i gives the country organizations a central point of contact that provides not only operative business expertise, but also supports with the digital business transformation and advice on technical solutions. They support the operating business through numerous activities such as conducting projects, developing more efficient processes and helping define the specifications for tools. In addition to providing technical customer service and expanding our e-commerce solutions on an ongoing basis, this department works on applications such as data-driven, algorithm-based pricing. Engineering focuses on the development and implementation of the technology strategy. IT Infrastructure creates the framework for digital business processes by operating various systems and tools in the cloud or connecting them with one another via interfaces in order to ensure data flows and provide users with access to high-performance and, most importantly, secure systems. In addition, a separate unit created within kloeckner.i during the reporting year focused exclusively on the development of digital sustainability solutions such as the Nexigen® PCF Algorithm and Nexigen® Data Services.

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**Digitalization action area**

To ensure that all employees embrace and see themselves as part of the changes, we have prepared a broad range of measures offering everyone the opportunity to acquire digital know-how at their own speed. Employees have access to job-specific, in-house training and language courses via our Group-wide Kloeckner Academy in order to selectively broaden their digital skills. This provides numerous online courses for users covering a wide variety of digital skills, professional development and sustainability knowledge. In addition, all courses are centrally available on the user-friendly Talentsoft learning platform. In total, our employees have already successfully completed over 19,300 courses and training units.

*Innovative skills for all staff*

Another key driver of our cultural change is in-depth internal communication to highlight for employees the need for digital transformation and to enable them to find their way around altered structures and working practices. For this purpose, our employees use the hierarchy-free Viva Engage collaboration software to exchange ideas, hold discussions and as a valuable information resource. The CEO invites all employees to engage in an open dialog on Viva Engage and uses the tool in addition to the regular insight talks as a communication channel to hold discussions on topics such as the progress of our digital transformation. All employees are able to use Microsoft Office 365 applications via the cutting-edge intranet. The SharePoint environment also includes the Kloeckner Academy and the employee magazine, INSIDE.

## CUSTOMERS

*In the **Customers action area** we describe the customer-centric approach with which we conduct our business. Customer satisfaction is a topic of great importance to us. This along with the resulting customer loyalty are key factors for us that secure Klöckner & Co's long-term market success.*

### **Customer satisfaction**

As an international steel and metal distributor, we aim to offer customers the highest quality and optimum service. Reliable service strengthens our position as the connecting link between customers and suppliers on a lasting basis. High product quality, an extensive range of services and our digital solutions make us a reliable partner to customers from all industries. We aim to make precisely the products our customers need available to them when they need them. As a result, the country organizations have full responsibility for ensuring customer satisfaction. The country organizations work on customer satisfaction continuously through their close customer relationships, collaboration and surveys.

*Kloeckner Assistant automates the sales process*

That is why we always conceptualize products and services, sales channels and innovations as well as the development of digital tools and applications from the customer's perspective. Applications such as Kloeckner Assistant automate large parts of the administrative sales process. The AI-driven application was further integrated into the organization during the reporting year and is now in action in five Klöckner & Co country organizations with the ability to automatically read and process PDF files and text messages. As a result, the average number of manual interventions per digital order was reduced significantly compared to the prior year. The number of automated quotations was also significantly increased in the same period. This has brought Klöckner & Co substantially closer to its "zero touch" vision of adding value with minimal manual effort. Kloeckner Assistant is an important tool in automated quotation and order processing, and our customers benefit from more rapid fulfillment of their orders. In addition, the reporting year saw the market launch of the two digital sustainability solutions Nexigen® PCF Algorithm and Nexigen® Data Services. With these solutions, Klöckner & Co is responding to the changing needs of our customers for greater transparency on the carbon footprint of their products.

Customers action area

Using various agile working methods from the start-up world, we keep product development moving forward and on target. We conduct results-driven interviews with customers and use new insight methods such as mapping customer journeys. These involve visualizing the customer experience, from initial contact with the product through the entire use process to long-term product adoption. The resulting insights help us fine-tune our products, tools and services. On this basis, we first develop what is referred to as a "minimum viable product" – one that initially meets just the most basic requirements. We also apply the Lean Startup approach in a variety of in-house projects. As this involves meeting only the most important requirements in the initial stage, we plan to use this approach to develop significantly more rapidly. Improvements can then be added progressively later on.

Our digital unit, kloeckner.i, maintains regular contact with customers to obtain information on their requirements of the digital product portfolio and their level of satisfaction with it, and to develop it in line with their needs. In 2023, kloeckner.i continued the ongoing work of improving the range of digital product offerings and enhancing their ease of use. During the reporting year, the user interface of our e-commerce portal was improved with regard to the search function to show customers more relevant products on the basis of sales frequency and purchase history. The structure of the online product catalog has also been revised to make it easier for customers to find the products that are relevant to them.

**Customer surveys**

All customers of our German and Austrian country organizations are asked to give their opinions on various aspects through annual surveys. Aspects covered include availability, product range, product quality, product availability, the processing range, employee proficiency, delivery time, delivery punctuality, order documentation and complaint handling. The regular customer surveys we carry out in our country organizations help to ensure the effectiveness of our working approaches and gain insights into how they are being received.

**Trend in customer satisfaction**

Scale of 1 (very satisfied) to 6 (not at all satisfied)

	2023	2022	2021
Kloeckner Metals Germany	1.90	1.96	1.84
Kloeckner Metals Austria	1.66	1.66	2.05

We use these surveys to constantly improve our systems and workflows and initiate measures to enhance customer loyalty. For Klöckner & Co, satisfied customers pave the way for sustained growth.

## Overview EU Taxonomy Sales 2023

Financial year N	Year	Substantial contribution criteria							
		Code(s) (2)	Turnover (3) (TEUR)	Proportion of Turnover, year N (4) %	Climate change mitigation (5) Y; N; N/EL	Climate change adaptation (6) Y; N; N/EL	Water (7) Y; N; N/EL	Pollution (8) Y; N; N/EL	Circular Economy (9) Y; N; N/EL
Economic activities (1)									
<b>A. Taxonomy-Eligible Activities</b>									
<b>A.1 Environmentally sustainable activities (Taxonomy-aligned)</b>									
Turnover of environmentally sustainable activities (Taxo- nomy-aligned) (A.1)		-	-						
Of which Enabling		-	-						
Of which Transitional		-	-						
<b>A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)</b>									
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		-	-						
A. Turnover of Taxonomy eligible activities (A.1+A.2)		-	-						
<b>B. Taxonomy-Non-Eligible Activities</b>									
Turnover of Taxonomy-non-eligible activities		7,742,213.00	100.00						
<b>Total (A + B)</b>		<b>7,742,213.00</b>	<b>100.00</b>						

DNSH criteria („Do Not Significant Harm“)

Climate change mitigation (11)	Climate change adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Proportion of Taxonomy aligned (A.1) or eligible (A.2) turnover, year N-1 (18)	Category enabling activity (19)	Category transitional activity (20)
Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
							-		
							-	E	
							-		T
							-		
							-		
							-		
							-		
							-		

## Overview EU Taxonomy CAPEX 2023

Financial year N	Year	Substantial contribution criteria								
		Economic activities (1)	Code(s) (2)	CAPEX (3) (TEUR)	Proportion of CAPEX, year N (4) %	Climate change mitigation (5) Y; N; N/EL	Climate change adaptation (6) Y; N; N/EL	Water (7) Y; N; N/EL	Pollution (8) Y; N; N/EL	Circular Economy (9) Y; N; N/EL
<b>A. Taxonomy-Eligible Activities</b>										
<b>A.1 Environmentally sustainable activities (Taxonomy-aligned)</b>										
CAPEX of environmentally sustainable activities (Taxonomy-aligned) (A.1)		-	-							
Of which Enabling		-	-							
Of which Transitional		-	-							
<b>A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)</b>										
Transport by motorbikes, passenger cars and light commercial vehicles	CCM 6.5.	3,261.50	0.99	EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL
Freight transport services by road	CCM 6.6.	11,745.10	3.57	EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3.	361.97	0.11	EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	CCM 7.4.	578.10	0.18	EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL
Installation, maintenance and repair of renewable energy technologies	CCM 7.6.	-	-	EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL
Acquisition and ownership of buildings	CCM 7.7.	17,493.05	5.32	EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL
Data-driven solutions for GHG emissions reductions	CCM 8.2.	2,802.22	0.85	EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL
CAPEX of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		36,241.93	11.02	11.02						
A. CAPEX of Taxonomy eligible activities (A.1+A.2)		36,241.93	11.02	11.02						
<b>B. Taxonomy-Non-Eligible Activities</b>										
CAPEX of Taxonomy-non-eligible activities(B)		292,778.52	88.98							
<b>Total (A + B)</b>		<b>329,020.45</b>	<b>100.00</b>							



DNSH criteria („Do Not Significant Harm“)

Climate change mitigation (11)	Climate change adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Proportion of Taxonomy aligned (A.1) or eligible (A.2) CAPEX, year N-1 (18)	Category enabling activity (19)	Category transitional activity (20)
Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
							-		
							-	E	
							-		T
							1.09		
							19.17		
							0.51		
							-		
							0.09		
							4.11		
							-		
							24.97		
							24.97		

## Overview EU Taxonomy OPEX 2023

Financial year N	Year	Substantial contribution criteria								
		Economic activities (1)	Code(s) (2)	OPEX (3) (TEUR)	Proportion of OPEX, year N (4) %	Climate change mitigation (5) Y; N; N/EL	Climate change adaptation (6) Y; N; N/EL	Water (7) Y; N; N/EL	Pollution (8) Y; N; N/EL	Circular Economy (9) Y; N; N/EL
<b>A. Taxonomy-Eligible Activities</b>										
<b>A.1 Environmentally sustainable activities (Taxonomy-aligned)</b>										
		OPEX of environmentally sustainable activities (Taxonomy-aligned) (A.1)	-	-						
		Of which Enabling	-	-						
		Of which Transitional	-	-						
<b>A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)</b>										
		Transport by motorbikes, passenger cars and light commercial vehicles	CCM 6.5.	1,156.19	1.77	EL	N/EL	N/EL	N/EL	N/EL
		Freight transport services by road	CCM 6.6.	1,196.01	1.83	EL	N/EL	N/EL	N/EL	N/EL
		Installation, maintenance and repair of energy efficiency equipment	CCM 7.3.	-	-	EL	N/EL	N/EL	N/EL	N/EL
		Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	CCM 7.4.	-	-	EL	N/EL	N/EL	N/EL	N/EL
		Data-driven solutions for GHG emissions reductions	CCM 8.2.	-	-	EL	N/EL	N/EL	N/EL	N/EL
		OPEX of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		2,352.20	3.59	3.59	-	-	-	-
		<b>A. OPEX of Taxonomy eligible activities (A.1+A.2)</b>		<b>2,352.20</b>	<b>3.59</b>	<b>3.59</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>B. Taxonomy-Non-Eligible Activities</b>										
		OPEX of Taxonomy-non-eligible activities(B)		63,144.73	96.41					
		<b>Total (A + B)</b>		<b>65,496.93</b>	<b>100.00</b>					



# Independent Practitioner's Report on a Limited Assurance Engagement on Non-financial Reporting<sup>\*)</sup>

To Klöckner & Co SE, Duisburg, Germany

We have performed a limited assurance engagement on the separate non-financial group report of Klöckner & Co SE, Duisburg, (hereinafter the "Company") for the period from 1 January to 31 December 2023 (hereinafter the "Separate Non-financial Group Report").

Not subject to our assurance engagement are the external sources of documentation or expert opinions mentioned in the Separate Non-financial Group Report.

## **Responsibility of the Executive Directors**

The executive directors of the Company are responsible for the preparation of the Separate Non-financial Group Report in accordance with §§ (Articles) 315c in conjunction with 289c to 289e HGB ("Handelsgesetzbuch": "German Commercial Code") and Article 8 of REGULATION (EU) 2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 18. June 2020 on establishing a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (hereinafter the "EU Taxonomy Regulation") and the Delegated Acts adopted thereunder, as well as for making their own interpretation of the wording and terms contained in the EU Taxonomy Regulation and the Delegated Acts adopted thereunder, as set out in section "EU Taxonomy" of the Separate Non-financial Group Report.

This responsibility includes the selection and application of appropriate non-financial reporting methods and making assumptions and estimates about individual non-financial disclosures of the Company that are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal control as the executive directors consider necessary to enable the preparation of a Separate Non-financial Group Report that is free from material misstatement whether due to fraud or error.

The EU Taxonomy Regulation and the Delegated Acts issued thereunder contain wording and terms that are still subject to considerable interpretation uncertainties and for which clarifications have not yet been published in every case. Therefore, the executive directors have disclosed their interpretation of the EU Taxonomy Regulation and the Delegated Acts adopted thereunder in section "EU Taxonomy" of the Separate Non-financial Group Report. They are responsible for the defensibility of this interpretation. Due to the immanent risk that indeterminate legal terms may be interpreted differently, the legal conformity of the interpretation is subject to uncertainties.

<sup>\*)</sup> PricewaterhouseCoopers GmbH has performed a limited assurance engagement on the German version of the separate non-financial group report and issued an independent practitioner's report in German language, which is authoritative. The following text is a translation of the independent practitioner's report.

Independent Auditor's  
Limited Assurance Report**Audit Firm's Independence and Quality Management**

We have complied with the German professional provisions regarding independence as well as other ethical requirements.

Our audit firm applies the national legal requirements and professional standards – in particular the Professional Code for German Public Auditors and German Chartered Auditors ("Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer": "BS WP/vBP") as well as the Standard on Quality Management 1 published by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW): Requirements to quality management for audit firms (IDW Qualitätsmanagementstandard 1: Anforderungen an das Qualitätsmanagement in der Wirtschaftsprüferpraxis - IDW QMS 1 (09.2022)), which requires the audit firm to design, implement and operate a system of quality management that complies with the applicable legal requirements and professional standards.

**Responsibility of the Assurance Practitioner**

Our responsibility is to express a conclusion with limited assurance on the Separate Non-financial Group Report based on our assurance engagement.

We conducted our assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the IAASB. This Standard requires that we plan and perform the assurance engagement to obtain limited assurance about whether any matters have come to our attention that cause us to believe that the Company's Separate Non-financial Group Report, other than the external sources of documentation or expert opinions mentioned in the Separate Non-financial Group Report, is not prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts issued thereunder as well as the interpretation by the executive directors disclosed in section "EU Taxonomy " of the Separate Non-financial Group Report.

In a limited assurance engagement the procedures performed are less extensive than in a reasonable assurance engagement, and accordingly a substantially lower level of assurance is obtained. The selection of the assurance procedures is subject to the professional judgement of the assurance practitioner.

In the course of our assurance engagement, we have, amongst other things, performed the following assurance procedures and other activities:

- Gain an understanding of the structure of the Company's sustainability organization and stakeholder engagement
- Inquiries of the executive directors and relevant employees involved in the preparation of the Separate Non-financial Group Report about the preparation process, about the internal control system relating to this process and about disclosures in the Separate Non-financial Group Report
- Identification of likely risks of material misstatement in the Separate Non-financial Group Report
- Inquiries on the relevance of climate-risks
- Analytical procedures on selected disclosures in the Separate Non-financial Group Report
- Performance of audit procedures at site level to assess selected disclosures
- Reconciliation of selected disclosures with the corresponding data in the consolidated financial statements and group management report
- Evaluation of the presentation of the Separate Non-financial Group Report

- Evaluation of the process to identify taxonomy-eligible and taxonomy-aligned economic activities and the corresponding disclosures in the Separate Non-financial Group Report
- Evaluation of CO<sub>2</sub> compensation certificates exclusively with regard to their existence, but not with regard to their impact

In determining the disclosures in accordance with Article 8 of the EU Taxonomy Regulation, the executive directors are required to interpret undefined legal terms. Due to the immanent risk that undefined legal terms may be interpreted differently, the legal conformity of their interpretation and, accordingly, our assurance engagement thereon are subject to uncertainties.

#### **Assurance Opinion**

Based on the assurance procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the Separate Non-financial Group Report of the Company for the period from 1 January to 31 December 2023 is not prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts issued thereunder as well as the interpretation by the executive directors disclosed in section "EU Taxonomy " of the Separate Non-financial Group Report. We do not express an assurance opinion on the external sources of documentation or expert opinions mentioned in the Separate Non-financial Group Report.

#### **Restriction of Use**

We draw attention to the fact that the assurance engagement was conducted for the Company's purposes and that the report is intended solely to inform the Company about the result of the assurance engagement. Consequently, it may not be suitable for any other purpose than the aforementioned. Accordingly, the report is not intended to be used by third parties for making (financial) decisions based on it. Our responsibility is to the Company. We do not accept any responsibility to third parties. Our assurance opinion is not modified in this respect.

Düsseldorf, March 5, 2024

PricewaterhouseCoopers GmbH  
Wirtschaftsprüfungsgesellschaft

**Nicolette Behncke**  
WIRTSCHAFTSPRÜFERIN (GERMAN PUBLIC AUDITOR)

**ppa. Moritz von Oppenkowski**

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Independent Auditor's  
Limited Assurance Report