

SUSTAINABILITY REPORTING

of Klöckner & Co SE

Sustainability reporting 2018 of Klöckner & Co SE	2
Employees action area	5
Responsible Conduct action area	11
Environment action area	17
Digitalization action area	19
Customers action area	22
Independent Auditor's Limited Assurance Report	24

1. Klöckner & Co SE sustainability reporting 2018

[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 60 key suppliers worldwide. These include the world's largest steel producers and their distribution arms. Sustainability is an issue of special importance at every link in the steel value chain. Although the steel industry's large environmental impact has already shrunk considerably in recent years, production in particular is still associated with high levels of resource use. However, we as a distributor also see it as our duty to continuously improve processes in order to minimize the adverse effects of our business activities. Our workforce of some 8,600 employees apply their skills and enthusiasm day in, day out in meeting our customers' needs and wishes. At Klöckner & Co, we provide customers with all key product-related services – consulting, procurement, stockholding, processing as well as distribution of steel and metals – with an increasing focus on process digitalization. With our know-how and technical capabilities, we develop and deliver comprehensive solutions – for companies of all sizes and industries of all kinds. Through our distribution and service network comprising around 160 locations in 13 countries, both in Europe and on the American continent, we serve more than 100,000 customers. Concentrated mainly in the construction as well as the machinery and mechanical engineering industries, our customer base consists primarily of small to medium-sized steel and metal consumers. In addition, we supply intermediate products for the automotive, shipbuilding, and consumer goods industries.

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 our entire enterprise around good ethical behavior, social responsibility, environmental compatibility as well as commercial success. This ethos is enshrined in our Group-wide Klöckner & Co Principles, which ensure that we share a common understanding and provide specific guidance for our conduct on a day-to-day basis.

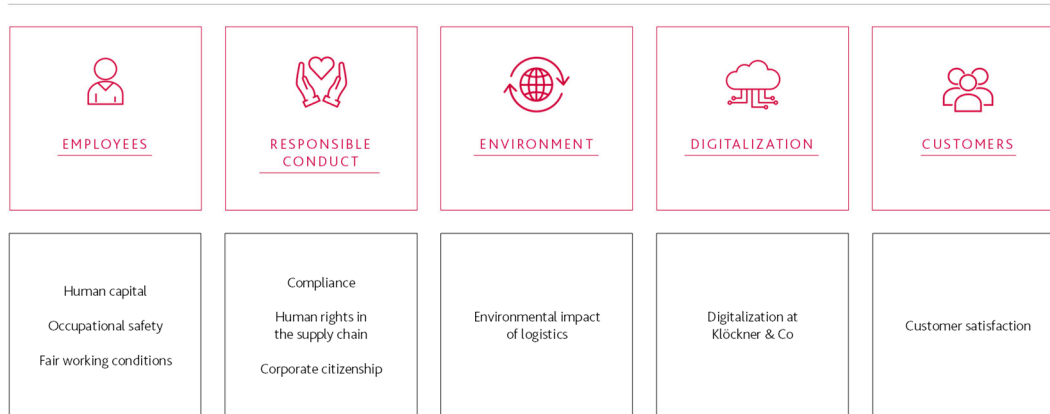
The sustainability reporting for 2018 in the following includes the Group non-financial report of Klöckner & Co SE in accordance with Section 315b of the German Commercial Code (HGB). In the Group non-financial report, we report on the non-financial issues of major relevance to our business activities together with the impact of those activities on aspects comprising environmental issues, employee issues, respect for human rights as well as anti-corruption and bribery. In addition, we provide transparent reporting in the following on our broader engagement with regard to sustainability.

The reporting period for the Group non-financial report is fiscal year 2018. 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 such a framework to present the relevant information in a structured and stringent manner. However, verification of the use of a framework is regularly carried out.

Ernst & Young GmbH was engaged to provide a limited assurance review of the information items marked with the [...] "√" symbol in the German PDF version of the report for the period January 1, 2018 to December 31, 2018.] √

Materiality analysis

[The topics to be included in the Group non-financial report are specified and formulated within the context of our sustainability management. In order to identify the material content, we conducted a comprehensive Group-wide materiality analysis in 2017. Potential sustainability topics were initially identified in a working group comprising selected departmental and functional managers. The findings were subsequently confirmed in dialog with internal and external stakeholders. The prioritization of the issues reflects their importance in terms of business relevance (results of operations, financial position and net assets, innovation and reputation) as well as the impacts of our business activities and the upstream supply chain. In this context, only topics that are both highly relevant to our business and have a strong impact on reporting-related aspects were categorized as material. The results were coordinated with the CEO to ensure comprehensive and integrated reporting for the Group.] ✓



Our five action areas: employees, responsible conduct, environment, digitalization and customers

Our five action areas

[Our sustainability strategy and sustainability management are arranged around the five action areas of employees, responsible conduct, environment, digitalization and customers. In addition, these are further divided into subsections. The topics are reviewed in a regular process and refined where necessary. As in the prior year, material topics for reporting under the CSR Directive Implementation Act are human capital, occupational safety, compliance, human rights in the supply chain and environmental impacts of logistics. Digitalization at Klöckner & Co was also categorized as a material topic in the review of topics carried out in the reporting year. In addition, we also report on other topics in our sustainability reporting for 2018 that are of relevance to Klöckner & Co in connection with sustainability.] ✓

Risk assessment

[A risk assessment has been conducted for all material issues under the CSR Directive Implementation Act. This investigated whether our business activities or our supply chain give rise to material risks to reportable aspects under Section 315b read in conjunction with Section 289c (2) of the German Commercial Code. The investigation took into account the probability of occurrence and the scale of negative impacts on each aspect. No reportable risks were identified.] ✓

No reportable risks

The three dimensions of our sustainability management are economy, environment and social

Sustainability management

As a tradition-rich company, Klöckner & Co considers it its task to ensure its own future viability by means of long-term, strategic goals. In this process, responsibility for the bulk of internal and external stakeholders plays an important role that follows from the size and international presence of our business activities. To shape these relationships for the long term and in a responsible manner for the benefit of all, we have developed a Group-wide sustainability management system that covers the three dimensions of sustainability – economic, environmental and social.

The member of the Management Board with responsibility for this thematic area is the CEO, Gisbert Rühl. Responsibility for sustainability management, coordinating all sustainability activities and compiling the Group non-financial report lies with the Investor Relations & Sustainability department. In addition, a Sustainability Committee was set up at the end of 2016, composed of managers from Investor Relations & Sustainability, Compliance, Group HR, Legal as well as Safety, Health, Environment and Quality (SHEQ) Management. The Sustainability Committee determines the main pillars of the sustainability strategy and, regarding its implementation, is in close consultation with the respective departments across the Klöckner & Co SE Group.



EMPLOYEES

The **Employees action area** includes the two topics of human capital and occupational safety that are material to the Group non-financial report. This section also contains reporting on the topic of fair working conditions.

A qualified and motivated workforce of employees who feel at ease in the workplace pave the way for Klöckner & Co to generate added value – for employees, for the Company and hence also for our customers. If we are to keep the entire workforce motivated, recruit new talent and secure employee loyalty, we need a working environment characterized by long-term security, supportiveness, professionalism and mutual respect. Such a working environment is vital to Klöckner & Co's success – and for every one of us to be able to develop and realize their full potential.

Added value at Klöckner & Co

This is also reflected in our Klöckner & Co Principles, which provide specific guidance for our day-to-day conduct and clearly delineate responsibilities. Rather than taking all decision-making out of our employees' hands, our executives aim to develop their teams and empower them to take decisions independently. Our employees take personal responsibility and actively put forward their own proposals. Regular dialog and feedback – including across hierarchical levels – thus generate added value for the Company and development opportunities for each individual.

Human capital

[Dedicated and qualified employees are a key factor in our success as a service provider. To this end, we offer employees a wide variety of further training and personal development opportunities. Another focus is on nurturing new talent. Particularly with a view to demographic change, recruiting and securing talent for the long term is central to our corporate success.

Continuing education as a key pillar

Our activities are directed at keeping workforce qualifications fully up to date, further enhancing skills – notably with regard to digitalization – and promoting talent within our own ranks.

The great majority of country organizations perform these activities locally and have their own HR developers. Target agreements for managerial staff and HR developers include – in addition to individual targets – long-term targets for implementation of the Group-wide HR strategy.

The CEO is involved via ongoing exchange about developments in and outcomes of such activities, and ensures that the thematic areas covered by the Group-wide HR strategy stay on the agenda. Our HR strategy is based on the pillars of leadership and corporate culture, systematic performance, talent and succession management, and improvements to make us an even more attractive employer.

In the "KME (Kloekner Metals Europe) Talent Management" initiative, we have created a framework for our European country organizations in which HR developers from the various countries can share ideas on new activities in the area of talent development as well as devise joint programs for professional and personal development in close cooperation with Group HR. Similar programs are in place as part of talent management at our American country organizations.

In-house training on offer

To promote our employees' personal development, Klöckner & Co offers classroom training on various topics as well as an extensive range of online training courses through our "Digital Academy".

Our training courses in 2017/2018 focused on the subjects of sales, leadership and onboarding. For example, the four-day "CLEAR Sales – Selling through the eyes of your customer" training course was rolled out across Europe during the reporting period. It was very well received by participants and the country CEOs. Focused on communication as well as building and strengthening customer relationships, this sales training teaches participants how to better identify the needs of our customers and offer them tailored solutions.

Klöckner & Co additionally provides individual support for training at employees' own initiative. At Group companies in Germany, individual wishes and training courses are incorporated as part of target agreements in annual performance appraisals. These annual performance appraisals are now also carried out at many country organizations, including the Netherlands, the UK and France.

Young talent development, such as the Emerging Leaders Program

In parallel, there are internal measures to foster young talent, such as the Emerging Leaders Program – a global development program for the upcoming generation of branch managers. This program refreshes and trains the skills needed for future-focused branch management. Topics range from contemporary business administration knowledge and sales training to leadership skills and design thinking methods, as an effective toolkit for innovative and customer-centric business practices in the context of our digital transformation. The promotion rate for the first Emerging Leaders from 2015/2016 is 46%. The second cohort completed the program at the end of 2017 and already successfully hold branch manager positions or operating leadership positions. To date, 38% of this cohort have climbed a step up the career ladder. The third cohort will start in 2019.

Following the first successful pilot program in Germany, a Country Talent Pool Program was launched in all country organizations in 2018. As part of this program, young talent is selected and provided with targeted support and training over a period of twelve months. Participants complete five modules, each in a different location. In Germany, the first cohort of eight participants have already completed the program.

For career starters and students, Klöckner & Co offers Group-wide internships and working student positions, where they can apply and consolidate content from their studies in real-life business situations. Our German activities in this connection follow the quality standards of the "Fair Company" initiative, for 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 well-qualified young talent. In Germany, apprentices accounted for 5.8% of our entire workforce in the reporting year.

The fact that our further training activities are well received is demonstrated, for instance, by the consistently positive feedback regarding our Emerging Leader Program, as well as our kununu rankings (Europe's biggest employer rating platform), where we are regularly rated a top employer. In the "FOCUS employer awards", which are held in cooperation with kununu, we ranked 9th in the "Leadership Culture" category among all companies in Germany in 2018. We also came in at 38th place in the "Work Climate" category. In addition, we will again conduct a Group-wide employee survey in early 2019, the findings of which will form the basis for developing further measures, as was the case in 2015.] ✓

Occupational safety

[Occupational safety is a key issue for us as a steel distributor with a high percentage of wage earners employed at our branches. A healthy and safe working environment both protects our employees and ensures smooth process workflows. Compliance with occupational safety regulations and laws forms the basis for safe and healthy workplaces.

Emphasis on a healthy and safe working environment

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).

Throughout the Group, SHEQ teams at each of our country organizations work continuously to systematically reduce the risk of accidents and to raise occupational safety awareness in the workforce. The topic of occupational safety is also a fundamental component of our internal SHEQ policy.

In Europe, an SHEQ committee comprising experts from our European country organizations meets at least twice a year and is responsible for monitoring the overall activities and coordinating our occupational safety strategy. The SHEQ committee liaises closely with the US country organizations and reports directly to the Chief Operating Officer and to the KMO Management Board. Our occupational health and safety officer at the holding company additionally prepares a monthly Group-wide accident report. This is a fixed feature of the regular Management and Supervisory Board meetings. The development of the LTIF and current measures also feature on the agenda of the monthly business update calls between the managing directors of the respective country organizations and the Group Management Board.

Most country organizations have already implemented occupational health and safety certification, usually under the international standard OHSAS 18001/ISO 45001. The standard was implemented at the main locations in the Netherlands in the reporting period and implementation at the remaining Belgian country organizations is planned for the coming fiscal year.

Numerous occupational safety initiatives

Since 2013, our occupational safety activities have been brought together under the "Safety 1st" initiative in Europe and similar initiatives at our American country organizations. In line with our Group-level objectives, these initiatives are geared to raising occupational safety awareness among employees and feature a broad package of measures to reduce accident numbers. Officers at each country organization are responsible for the regional rollout of adopted measures, subject accident causes to plausibility checking, perform risk analysis and coordinate cross-location training.

Local occupational health and safety officers sensitize employees at individual branches. This is done by such means as training courses and training videos as well as by visual means including posters, accident reports and a safety card, which presents key rules in an easily accessible credit card format. Furthermore, all visitors are required to wear helmets and high-visibility vests. Our operational processes are also optimized on an ongoing basis with individual improvements according to context. For example, two new training videos, which have been in use since August and November respectively, were produced in the reporting year. We also continued with the tried-and-tested poster campaign, adding new themes.

Accidents are always avoidable and preventive action enables us to 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 to identify measures for improvement and systematically avoid a repeat occurrence. The country organization officer files a detailed accident report to the holding company 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 location.

2019 target: "LTIF less than 11.7"

We measure the frequency of workplace accidents using the key performance indicator of 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. Our target for 2019 is to reduce the average Group-wide accident frequency to an LTIF value of less than 11.7, with a medium-term LTIF target of less than 10.

Unfortunately, LTIF development in the 2018 reporting year did not follow the positive trend of previous years, which saw the LTIF figure decline continuously to reach 9.3 in 2017. At 13.3, the figure for the reporting year was considerably higher. We are nonetheless optimistic that the additional measures adopted will lead to a reduction in the LTIF in the future.

The cornerstone of these supplementary activities is the further strengthening of our Company's safety culture. To this end, a global "Safety Perception" survey was carried out with the management consultancy DuPont and the respective safety action plans of the individual countries were gathered. The aim of this analysis is to identify potential safety risks at an early stage through "predictive analytics" and to heighten safety awareness throughout the organization. Based on the evaluation of the findings, we will develop customized measures and expand the "Safety 1st" program in a targeted manner. An initial example of this is the "Safety 1st E-Learning" program, which became a fixed part of the onboarding process for all employees at the beginning of 2019.] ✓

Fair working conditions

For Klöckner & Co, fair working conditions are the basis for the motivation, and hence productivity, of our employees. A working environment characterized by mutual respect and free from discrimination of any kind is a necessary precondition for motivation and creativity.

In accordance with our Code of Conduct, we have undertaken 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, ethical 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.

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 a strong global team with a high level of diversity. In total, we employ people from some 70 different nationalities in our Group. Recruitment criteria are based exclusively on professional aptitude. In accordance with collective agreements, we also do not differentiate in terms of payment.

However, diversity of nationality is not the only important consideration for Klöckner & Co. We also aim to appoint women to specialist and management positions. Our goal is to foster communication and networking among female specialists and executives with our "ladies lunch" and "ladies talk" event series that have been developed by the holding company for the purpose. These provide an opportunity to share experience across work areas as well as for constructive discussion of relevant issues.

Additionally, we participate in the "Chefsache" initiative – a network of leaders from industry, science, the public sector and the media personally committed to making gender balance a top management priority. The "Chefsache" initiative aims to lead by example, exploring new concepts and approaches to promote the requisite change of mindset throughout society.

The effectiveness of our approach for promoting women in managerial positions is demonstrated by the findings of the "Frauen-Karriere-Index" (Women's Career Index) produced by Barbara Lutz Management GmbH in 2015, 2016 and 2017. Klöckner & Co has taken part in this annual external survey based on objective corporate data on the promotion of women in management positions since 2015. When the prizes were awarded in the first quarter of 2018, we were rated one of the top ten companies among more than 160 participants for the third consecutive year.

Diversity, mindfulness and mutual respect are not only good for the working environment. They also create the right setting for the creation of marketable ideas and innovations. In December 2017, we consequently launched a series of workshops on respect as a success factor in order to raise awareness among all managerial staff in Europe. In the USA, employees have been provided with training that also reflects the different legal situation there. CEO Gisbert Rühl has emphasized in this context that "Neutrality and openness with regard to gender, origin, age and appearance are our overriding principles in mutual dealings. We are pleased to say that most colleagues abide by this. Discriminatory behavior is completely unacceptable to us both from a human and from a business perspective and is in no way tolerated." For management, this means resolving critical situations, supporting affected employees and thus ensuring a constructive and respectful working environment. Among the lessons learned in the workshops, managers were taught how to recognize, avoid and eliminate disrespectful and discriminatory behavior. To do justice to its importance, the topic of respectful interaction was included in the Group-wide compliance training for all employees.

Workshops raise awareness of treating each other with respect as a success factor

For Klöckner & Co, consideration of the differing backgrounds and wishes of our employees represents a further aspect of respect. This is notably reflected in a supportive, flexible and mobile approach to work. A pilot project has been underway in the holding company of Klöckner & Co SE since 2017 to organize work more flexibly both in terms of working hours and the space used. Similar programs are also recommended for our country organizations. In this way, we aim to make it possible for our employees to better harmonize their personal and professional lives as well as to improve quality and productivity. By giving employees greater autonomy with regard to how they arrange and carry out their work, we also intend to generate a higher level of satisfaction with the work itself and the results achieved.

Responsible Conduct
action area



RESPONSIBLE CONDUCT

The **Responsible Conduct action area** encompasses two topics material to the Group non-financial report, namely compliance and human rights in the supply chain, as well as Klöckner & Co's corporate citizenship, 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, responsible conduct 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.

Underscoring this aspiration, we have also publicly committed to a responsible leadership culture. Accordingly, in January 2017, CEO Gisbert Rühl co-signed the "Compact for Responsive and Responsible Leadership" sponsored by the International Business Council of the World Economic Forum. Klöckner & Co is also among the signatories of the "German Industry's Code of Responsible Conduct for Business" and thus gave its commitment as long ago as May 2011 to both success-oriented and value-oriented leadership in the spirit of the social market economy.

An integral part 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, adherence to our fundamental corporate values and principles is of central importance to us. We have formulated those values and principles in our Code of Conduct. Compliance with this is the direct responsibility of each individual and cannot be delegated.

*Code of conduct as
a central element*

As a tradition-rich company, Klöckner & Co also regards it as its duty to contribute to the well-being of society. Active involvement in the immediate vicinity of our headquarters and branches is a key aspect and an identity-building factor for our Group.

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.

We aim to avoid potentially corrupt and antitrust situations as a fundamental rule 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 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 and the US Foreign Corrupt Practices Act.

All Board members, managerial staff and employees must be aware of the extraordinary risks that can be involved in any antitrust or corruption case, both for Klöckner & Co and for the individual. Klöckner & Co expects employees at all levels of the Company, regardless of their hierarchical position, to comply with prevailing competition rules and antitrust laws. The Management Board has unequivocally expressed in its "Tone at the Top" that antitrust violations and corruption are not tolerated at Klöckner & Co and any infringements are systematically pursued. Our employees are provided with a frame of reference and guidance in the form of our Group-wide Code of Conduct together with internal Group guidelines and procedural instructions on topics such as adherence to antitrust rules, the engagement of intermediaries, anti-money laundering, export controls and anti-corruption in business dealings. We expect external business partners to comply with the ethical values and principles enshrined in our Code of Conduct, Supplier Code of Conduct or a comparable code of their own and to implement them effectively in their organization.

Compliance management system with a focus on competition law, anti-corruption and anti-money laundering

To support compliance with these stipulations, we have established a compliance management system based on the OECD Principles of Corporate Governance. Focal areas of this system include competition law, anti-corruption and the prevention of money laundering. For the onward development, control and implementation of the compliance management system, we have set up a compliance organization that provides employees with regular information and training on relevant statutory provisions as well as internal guidelines and procedural instructions. In addition, the Chief Compliance Officer reports to the entire Management Board each month on current developments and immediately escalates ad hoc reports to the CEO.

The compliance organization conducts regular compliance risk assessments with the country organizations. As part of risk analysis, the compliance organization evaluates individual compliance risks together with the managing directors of the various country organizations and takes precautionary action as appropriate. During the reporting year, no need for action was identified in the risk areas of antitrust law and corruption beyond the measures already taken.

In cooperation with the Corporate Internal Audit Department, compliance audits are also carried out in our country organizations as part of the scheduled ICS audit to verify adherence to the compliance tools and rules implemented.

To prevent corruption, we established strict criteria for the engagement of intermediaries as long ago as 2010 and subject intermediaries to compliance screening before entering into a contract with them. Klöckner & Co makes use of an external service provider for this purpose. The screening is repeated at set intervals and according to risk. In addition, level 1 and level 2 managerial employees are subjected to independent integrity screening supplemented with regular self-disclosure questionnaires.

In the interest of all employees and to avert damage to the Company, procedural instructions are provided that detail permissible conduct. The country organizations publish the Group guidelines and procedural instructions in their area of responsibility and adopt the measures needed to implement the respective requirements. For this purpose, use is made among other things of the Corporate Compliance Office's Compliance SharePoint, where all relevant compliance documents are provided online as a "Single Point of Truth" for all Group employees.

Classroom training and e-learning programs familiarize new employees with the content of the Code of Conduct and raise awareness of, for instance, compliance-related issues such as antitrust law, corruption risks, money laundering risks and fraud. We first separate employees into different target groups which receive training tailored to their specific areas of work. Most new employees must complete Code of Conduct training when they join. This concerned some 800¹ employees in the reporting period. In addition, most target groups are enrolled in basic compliance training at the start of their employment. Around 500¹ employees participated in this training in the reporting year. We also conduct refresher e-learning sessions throughout the Group to keep our employees up to date and address specific compliance-related issues with examples from their day-to-day work. Alongside the Code of Conduct, focal points of the training included antitrust law, anti-corruption and anti-money laundering, as well as export controls.

If they have a question about ethical conduct or doubts about the legal position in a given business situation, employees can always approach a contact within our compliance organization at the holding company or locally in their country organization. Our employees and business partners additionally have the option of directing information on potential compliance violations and/or breaches of our Code of Conduct directly to the Corporate Compliance Office. A telephone and web-based whistleblower system operated by an external service provider is available for this purpose. The whistleblower system can be accessed free of charge from anywhere in the world and can also be used anonymously.

The effectiveness of our compliance management system is reflected in the figures: We had no serious breach of our guidelines to report this year, and none of our fifteen reviews of individual business locations by Internal Audit identified material antitrust risks or corruption or bribery infringements.] √

Human rights in the supply chain

[Klöckner & Co SE and its country organizations pay attention to ethically correct and compliant behavior in business dealings. This concerns both our own Company and all upstream parts of our value chain. We expect everyone in our supply chain to follow the same principles.

As stated in our Code of Conduct and moreover in our Group human rights policy, Klöckner & Co does not tolerate any violation of the principles set out in them under any circumstances. Alongside observance of laws and human rights, these principles include the prohibition of child labor and ensuring workforce health and safety, as well as compliance with the statutory minimum wage and working hours.

In order to clearly convey this expectation to our suppliers, we introduced a Supplier Code of Conduct in fiscal year 2018, which is available on our website and was also sent out to all key suppliers. By signing this document, suppliers commit to observing the applicable laws, sustainability and the ethical values of Klöckner & Co. If a supplier has its own equivalent company code of conduct, the Corporate Compliance Office verifies the equivalence of the requirements. If this verification uncovers major discrepancies in the areas mentioned and the supplier declines to acknowledge our Supplier Code of Conduct, further purchases from that supplier are blocked.

*Introduction of a
Supplier Code of Conduct*

We generally seek long-term relationships with suppliers and work together with them wherever possible to achieve improvements and sustainable solutions. Over two-thirds of our key suppliers have been supplying Klöckner & Co for more than five years and have shown themselves to be reliable business partners who apply similar sustainability principles.

¹ Data for the period October 1, 2017 to September 30, 2018.

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.

Reviewing our product portfolio for conflict minerals

A particularly important concern for us as distributor is the origin of the minerals incorporated in the products we sell. The importance of this topic is also reflected in requirements laid down by our international customers, who expect us to provide clear proof of origin. Of special interest in this regard are conflict minerals such as columbite tantalite (coltan), cassiterite, gold, wolframite and their derivatives, which include tantalum, tin and tungsten. The annual review of our product portfolio in fiscal year 2018 showed that less than 1% of our products possibly contain tantalum, tin or tungsten.

Since the entry into force of the Dodd-Frank Wall Street Reform and Consumer Protection Act and notably the Conflict Minerals Rule, Klöckner & Co analyzes with due care every year whether conflict minerals are used in the manufacture of the products concerned and, if so, whether they originate from the Democratic Republic of the Congo or neighboring states. Those neighboring states today comprise Angola, Burundi, the Central African Republic, the Republic of the Congo, Rwanda, South Sudan, Tanzania, Uganda and Zambia.

If suppliers manufacture components, parts or products using the minerals in question, we require that those materials are not sourced from the aforementioned states. We use the Responsible Reporting 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. Klöckner & Co reserves the right to demand supply chain verification from its suppliers and, where appropriate, to trace conflict minerals back to the mine of origin. For their part, suppliers should also formulate and implement conflict minerals policies and principles. If possible, they should require their upstream suppliers to adopt and follow corresponding policies and principles.

Our expectations of our suppliers

We expect our suppliers to retain the relevant documentary proof for five years and to submit it to Klöckner & Co on 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 2018 reporting year, no suppliers needed to be blocked for failure to provide proof.] ✓

Active, local community engagement

Corporate citizenship

Klöckner & Co operates in 13 countries worldwide, maintains some 160 locations and employs around 8,600 people. This 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 locations 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 a uniform thrust in corporate citizenship activities while catering to the individual circumstances of our markets. 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.

REGIONAL AID PROJECTS

Klößner & Co has a clear strategy for supporting non-profit projects in Germany: Our aim is to improve educational opportunities for disadvantaged children who live in our immediate vicinity over the long term. To achieve this goal, our contribution centers on local projects to educate children and young people or cater to their basic needs in Duisburg, where our headquarters are located.

We focus on 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, and regional charities. Through our five-pillar strategy, we aim to support tomorrow's young professionals and thus make a significant contribution to strengthening the region.

Five-pillar strategy for projects in our neighborhood

- 1. BASIC NEEDS:** Klößner & Co helps organizations in Marxloh to prepare healthy meals so that children and young people are able to concentrate at school and socialize with each other by sharing a meal, irrespective of their backgrounds.
- 2. ESSENTIAL RENOVATION WORKS:** In the past, we have already renovated a youth center and renewed the school yard canopy at an elementary school in cooperation with the City of Duisburg. Another example in the reporting year is the Henriettenstrasse elementary school, which was fitted out with five multifunctional classrooms with the support of Klößner & Co. Due to its location in Marxloh, a very large proportion of the school's students are new arrivals in Germany. To ensure students are given the best opportunity to learn, they require differentiated support, including to learn the language. The new multifunctional classrooms represent a significantly improved environment for learning and the provision of support.
- 3. STRONG NETWORK:** Klößner & Co frequently makes use of its strong network to enable Marxloh organizations to participate in exclusive projects, such as Bayreuth Festival's costume competition: Katharina Wagner, the composer Richard Wagner's great-granddaughter, visited Klößner & Co's partner schools in Duisburg. She and the students together designed costumes for the popular children's opera in Bayreuth. One of the partner schools organized a trip to Bayreuth for the premiere of the children's opera, where students got to see their costume designs on stage.
- 4. SCHOOL EDUCATION PROJECTS:** Since 2013, Klößner & Co has supported the German National Scholarship awarded by Roland Berger Foundation. This program promotes gifted children with a strong will to learn who come from socially disadvantaged families, with the aim of guaranteeing them the best possible education opportunities and enabling them to complete upper secondary education and/or go on to university. In this way, we significantly contribute to removing barriers to equal opportunities among people of different social backgrounds. A partner school in Marxloh is also a beneficiary of Teach First Deutschland gemeinnützige GmbH's "Fellow" project, through which college graduates provide support to disadvantaged school students in their regular lessons and thus make everyday school life easier through their own projects.
- 5. MUSIC AND CREATIVE DEVELOPMENT:** Joining forces with the Ruhr Piano Festival Foundation, we developed an education project to foster children's musical and artistic development at different types of schools. This was implemented for the first time with two schools in 2012. No fewer than six schools with over 600 children took part in 2018. Our musical education work has since earned supraregional recognition: After garnering the "Echo Klassik" award presented by Deutsche Phono-Akademie in the "Fostering Young Talent" category in October 2016, as well as the "Junge Ohren Preis" in November 2014, the education program was awarded the renowned "MIXED UP Preis" in the reporting year. The prize awarded by the Bundesvereinigung Kulturelle Kinder- und Jugendbildung e.V. (German Federation for Cultural Youth Education) and the Federal Ministry for Family Affairs, Senior Citizens, Women and Youth praised the long-term cooperation across institutions and sectors in the "Long-runner" category. These and other awards are proof positive of our successful cooperation, which is to remain part of our activities going forward.

In addition to our commitments under our five-pillar strategy, Klößner & Co also supports special children's causes. Our annual Christmas gift campaign was extended in the reporting year to include all elementary schools in Marxloh, meaning that around 850 children benefited from new school equipment.

As a further example of our engagement in the Marxloh area of Duisburg, we participated in the "reading aloud day" for the first time in 2018. We read with the "welcome class" of young people newly arrived from countries including Syria, Bulgaria and Afghanistan. The "reading aloud day", which takes place throughout Germany, aims to inspire a love of reading among children and young people and thus broaden their language skills.

*Klößner & Co supports the
German industry "We together"
initiative*

REFUGEE INTEGRATION

The integration of refugees into our society is another major concern for us. This notably includes creating employment opportunities. One area with an especially large number of vacancies is the IT sector, which often makes it hard for companies to find qualified programmers. To help refugees with IT skills onto the career ladder, the knowledge they bring with them needs to be enhanced and supplemented in line with the needs of the German labor market in general and our business in particular. Under the umbrella of the "We together" German Industry Integration Initiative, Klößner & Co therefore supports the ReDI School of Digital Integration in Berlin as main sponsor and provides premises for the project.

ReDI is short for Readiness and Digital Integration. Students are provided with laptops and can take part in free beginners and advanced programming courses. Additionally, students are each assigned a mentor to help them take the course content to a deeper level. Organized networking events make for lively contact with the Berlin and Munich start-up scenes. We also have our own presence in Berlin with kloeckner.i, our Group Center of Competence for Digitalization. When filling new positions, we place special emphasis on recruiting ReDI School graduates. Internships prepare ReDI students for potential permanent employment at kloeckner.i, our digital subsidiary in Berlin.

Klößner & Co also supports a Stifterverband program targeting the "integration of refugees through education" as part of "Kiron Open Higher Education, Track Computer Science". The program aims to offer refugees access to a course of study leading to an accredited bachelor's degree.

UNIVERSITY EDUCATION

In Germany, we maintain close contact with the European Business School (EBS) and the University of Duisburg-Essen. As well as high-ranking executives from our Company giving lectures at these two higher education institutions, we also take part in dialog events and answer students' questions. Furthermore, we offer students internships during which they can apply content from their studies to real business situations.

For some years now, we have supported the Germany Scholarship in collaboration with the German Federal Ministry of Education and Research. Primarily directed at talented and high-achieving college students, the scholarship gives consideration to specific family and social circumstances. Our aim here is to provide support so that students can excel both academically and socially as well as within the family.



ENVIRONMENT

Environmental impact of logistics

[One of the greatest challenges in the **Environment action area** and of our times is climate change, and Klöckner & Co regards it as its duty to counter related risks with a suitable contribution to protecting the environment.

A significant part of our business model involves shipping products to customers by truck. Klöckner & Co's key task in the Environment action area is therefore optimizing the environmental impact of logistics processes along our value chain.

Goal: reducing our delivery fleet's CO₂ emissions

Environmental protection is an important part of our SHEQ policy – our internal safety, health, environment and quality policy. In bi-annual international working groups, logistics and quality managers from all country organizations share best practice solutions for resource efficiency in logistics. Common goals and projects are developed here and systematically advanced. The management is informed after each meeting about the outcomes and subsequently ensures that promising projects are implemented.

The Group-wide objective of our projects and measures is to maintain our current high service level with fewer trucks, thereby both cutting costs and reducing CO₂ emissions.

To this end, we endeavor to influence the environmental impact of logistics at three levels in our value chain – receipt of goods, internal transport and delivery to our customers.

At the first level, we strive to optimize the management of incoming goods. The products are mainly delivered to our locations by suppliers. Through the targeted coordination of suppliers at level one coupled with enhanced inventory management, we aim to reduce the internal transport between our locations at level two. This is achieved, for example, through optimized inventory allocation. In the pilot project region in eastern Germany, the warehouse structure was improved, which has further reduced our internal transport from other regions of Germany. France is pursuing the same aim by opening a new central warehouse in Paris to replace two existing ones. In addition, all locations at our country organization Klöckner Metals UK and our German company Becker Stahl-Service are already certified to the ISO 14001 environmental standard, which also covers logistics.

Certification to ISO 14001

At the third level, the goods are delivered to customers from our roughly 100 warehouse locations in Europe. Here, we pay particular attention to efficient delivery route planning, where key quality aspects include adherence to delivery dates along with ongoing optimum utilization of truck capacity and optimized route planning. In 2017, we consequently launched the universal rollout of transportation planning software. It was not possible to complete implementation throughout Europe in the reporting year due to several technical system adjustments required in France. With the aid of data analysis from the transportation planning software, however, we have already begun to develop approaches for reducing truck fuel consumption. These can include tactics such as avoiding empty runs and fine-tuning delivery frequencies.

Several country organizations already deploy state-of-the-art on-board computers that provide continuous feedback on driving behavior, vehicle speed and engine speed, thus helping to reduce truck fuel consumption and hence CO₂ emissions. In Germany, the drivers operating our modern fleet are provided with road training and regular feedback on their driving behavior. At Kloeckner Metals UK, too, the "Safe & Fuel Efficient Driving" program has been in place since 2017. In France, we plan to deploy two gas-powered trucks in the greater Paris area in the future. If this pilot project is a success, we will decide whether to roll out this technology further.

With these measures and above all the improved delivery route planning, we meet the ever increasing challenges – including smaller consignment sizes – faced in transportation logistics. By way of universally deploying the transportation planning software, we aim to meet our targets for cutting transportation costs while reducing CO₂ emissions through more efficient routes.] ✓



DIGITALIZATION

Digitalization at Klöckner & Co

[The use of digital tools has become essential for every trading company the world over. This naturally also applies to us as a steel distributor. Alongside the obvious commercial opportunities, ongoing digitalization also presents new challenges for our employees. We tackle these with the measures taken in our **Digitalization action area**.

The digitalization strategy developed by Klöckner & Co aims to eliminate information asymmetries by digitally connecting all market participants in order to increase efficiency for all. To this end, Klöckner & Co founded a digital unit, kloeckner.i, in Berlin in 2014, which now has around 90 employees. Besides the systematic digitalization of internal and external processes, an essential component of this digital transformation is a profound cultural shift within the Company. Our employees therefore need to incrementally develop their digital mindset, which is crucial to our shared migration to "Industry 4.0".

In many cases, today's tasks have increased in complexity. The measures we have developed aim to embed contemporary, digital ways of working and thinking in the Company and thus drive forward our internal cultural shift.

Applying start-up methods such as design thinking

All members of the Klöckner & Co SE Management Board are working together to drive forward our digitalization strategy. However, the CEO has particular responsibility for strategy implementation and receives regular status and progress updates from the relevant functional managers. Operational implementation of the strategy – from sales to e-commerce – is managed by Digital Supply Chain together with kloeckner.i, Group IT and external partners. This process is supported by Digital Officers in the respective country organizations, who are responsible for rolling out the digital transformation and implementing the measures on site along with the local branch Digitalization Officers.

To ensure that everyone embraces and sees themselves as part of the changes, we have prepared a broad range of measures offering all employees the opportunity to acquire digital know-how at their own speed. We have provided employees with a "DigiBook" to present the strategic messages of our digitalization strategy in straightforward language with numerous illustrations. Based on the extremely positive feedback to this reference material, a follow-up was produced in the reporting year.

Another key driver of our cultural change is in-depth internal communication to highlight for employees the necessity of the digital transformation and to alleviate any concerns. Klöckner & Co makes use of innovative digital tools such as the "DigiDesk", an interactive intranet based on Microsoft Communication Sites. A major component of our self-made solution is our Yammer in-house social network, which provides staff with a non-hierarchical, transnational platform for contributing and sharing their thoughts and ideas. Furthermore, the CEO invites all employees to engage in open dialog on Yammer and uses the tool – in addition to regular town hall meetings – as an information channel to communicate on the progress of our digitalization strategy. The constantly increasing number of participants and groups on Yammer since the introduction proves the positive resonance on the part of our employees.

Digital Academy

To selectively broaden their digital skills, employees have access to job-specific, in-house training and language courses via our Group-wide "Digital Academy". This enables them to take part in online training on a voluntary basis during office hours at our premises or from a home office. The "Digital Academy" provides numerous online courses for users, mostly with the aim of enhancing digital skills. A total of more than 1,200 employees have now experienced what the "Digital Academy" has to offer – at the beginning of 2016 there were only a few hundred users. The "E-Business License" course devised by our Supervisory Board member Prof. Dr. Tobias Kollmann, which equips participants with the tools they need to successfully navigate the digital economy, particularly stands out for its high user numbers. Users' feedback and requests are also taken into account in the development of new course topics so that they have a hand in shaping future training packages. In 2018, new courses were created in the areas of digital leadership, coding and enhancing IT skills, which specifically address the needs of our employees.

Moreover, we make use of the series of events developed in-house, such as our "DigiDays". The goal here is for employees to voluntarily familiarize themselves with start-up methods in order to come up with solutions to problems in a creative environment. Due to the large number of participants and positive feedback received, "DigiDays" were already organized for the third time in the reporting year. While the first two events focused on the design thinking method, "DigiDays 3.0" centered on the themes of healthy failure culture and agile working.

In order to also reach employees who were unable to participate in the workshops, we launched an agility campaign on Yammer in the reporting year to clearly present the different principles of agile working and thinking. A new e-learning course on the same subject is starting in 2019.

Establishing a culture of learning and failure in the Group

With regard to failure culture within the Company, we launched a series of "Failure Sessions" in 2017 of the kind that are typically used in the start-up scene. In a failure session, failed start-up entrepreneurs report on their experiences, where they went wrong and what they learned. Here, too, the focus is on people openly talking about their mistakes and the lessons learned and then going on to discuss them in the round. For Klöckner & Co, the goal is to establish a start-up-style learning and failure culture within our Group in order to become faster and more agile as well as less perfectionist in our work.

To support this aim, we have also implemented the "Digital Experience" exchange program within our country organizations. Participants' digital and individual skills are further enhanced in a several-week stay at our digital unit kloeckner.i in Berlin. In return, kloeckner.i gains first-hand expertise in steel through the exchange with participants who mostly work in the operating business.

Digitalization action area

This lets us meet the challenges of digital transformation and forge a link between the internal cultural shift and the operational objectives of our digitalization strategy. The growing membership of our "Digital Academy" group on Yammer is testament to our employees' improved digital skills and new way of thinking. This is similarly reflected in the constructive suggestions and ideas put forward by employees with regard to optimizing the speed and quality of our processes.] ✓



CUSTOMERS

Customer satisfaction

In the **Customers action area**, both customer satisfaction and customer loyalty are key factors for us in securing Klöckner & Co's long-term market success.

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.

Our high level of customer satisfaction – which we aim to continue improving – is a key competitive advantage for Klöckner & Co. In keeping with the design thinking approach, we always conceptualize products and services, sales channels and innovations from the customer perspective. Accordingly, we actively involve our customers in the process and analyze their personal wishes and needs on a targeted basis.

Focusing on customers when developing products and tools

We make use of various agile working methods from the start-up world for this purpose. To keep product development moving forward and on target, we conduct results-oriented interviews with customers and use new insight methods such as mapping "customer journeys". These involve visualizing the customer experience, from first product contact through the entire use process to long-term product adoption. The resulting insights help us refine 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. In the past, our development of such products or tools involved significantly greater effort and expense. Every conceivable feature and business contingency had to be catered for in the quest for perfection. The consequence was too much time spent on product development, high cost and dissatisfaction on all sides. That's why we have adopted the lean start-up approach, also in a variety of in-house projects. This approach makes us significantly faster in that we meet only the most important requirements in an initial stage. Improvements can always be added progressively later on. That way, we also avoid the risk of tying up capacity for new product features that ultimately offer no added value for customers.

In response to requests from our customers, we improved the user-friendliness of our online marketplace by introducing various new features in the reporting year. These included making it possible to make purchases by directly uploading lists of product numbers, introducing an overview of customers' personal purchase history, and making it easier to repurchase products from a previous order. Since 2018, we have also been offering complementary products from other suppliers via our marketplace function in order to successively expand and optimize our product range for our customers. At the end of 2018, a total of 29 dealers were already selling their products through our online shop, either under their own brand using our marketplace function or as a third-party vendor.

To ensure the effectiveness of our working approaches and obtain a picture of how they are being received, we conduct regular customer surveys in our country organizations. In fiscal year 2017, for example, all customers of our German and Austrian country organizations were asked to give their opinions on various points. Aspects covered included availability, product range, product quality, product availability, the processing range, employee proficiency, delivery time, delivery punctuality, order documentation and complaint handling. Klöckner Deutschland received an overall grade of 1.96 and our Austrian country organization a grade of 1.80.

Customer surveys are a key feedback tool in optimizing systems and processes.

Our digital unit in Berlin, kloeckner.i, similarly conducts regular customer surveys in the form of in-depth interviews to obtain information on our customers' requirements and satisfaction levels and to gear development of the product portfolio to customers' needs. Customer feedback helps to continuously improve the digital system landscape and workflows. On average, our customers were very satisfied. The survey findings were individually evaluated rather than combined in an index. In addition, customers who contact our customer service department are asked whether they are satisfied with the service provided by Klöckner & Co. This was the case for around 80% of the customers in 2018.

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, long-term growth.

Independent Auditor's Limited Assurance Report

The assurance engagement performed by Ernst & Young (EY) relates exclusively to the German version of the non-financial report 2018 of Klöckner & Co SE group. The following text is a translation of the original German Independent Assurance Report.

To Klöckner & Co SE, Duisburg

We have performed a limited assurance engagement on the non-financial report of Klöckner & Co SE group according to § 315b HGB ("Handelsgesetzbuch": German Commercial Code), whose disclosures are marked with the symbol „√“ in the Sustainability Report for the reporting period from 1 January 2018 to 31 December 2018 (hereafter non-financial report).

MANAGEMENT'S RESPONSIBILITY

The legal representatives of the Company are responsible for the preparation of the non-financial report in accordance with §§ 315c in conjunction with 289c to 289e HGB.

This responsibility includes the selection and application of appropriate methods to prepare the non-financial report as well as making assumptions and estimates related to individual disclosures, which are reasonable in the circumstances. Furthermore, the legal representatives are responsible for such internal controls that they have considered necessary to enable the preparation of a non-financial report that is free from material misstatement, whether due to fraud or error.

AUDITOR'S DECLARATION RELATING TO INDEPENDENCE AND QUALITY CONTROL

We are independent from the Company in accordance with the provisions under German commercial law and professional requirements, and we have fulfilled our other professional responsibilities in accordance with these requirements.

Our audit firm applies the national statutory regulations and professional pronouncements for quality control, in particular the by-laws regulating the rights and duties of Wirtschaftsprüfer and vereidigte Buchprüfer in the exercise of their profession [Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer] as well as the IDW Standard on Quality Control 1: Requirements for Quality Control in audit firms [IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis (IDW QS 1)].

AUDITOR'S RESPONSIBILITY

Our responsibility is to express a limited assurance conclusion on the non-financial report based on the assurance engagement we have performed.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board (IAASB). This Standard requires that we plan and perform the assurance engagement to obtain limited assurance about whether the non-financial report of the Company has been prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB. In a limited assurance engagement the assurance procedures are less in extent than for a reasonable assurance engagement and therefore a substantially lower level of assurance is obtained. The assurance procedures selected depend on the auditor's professional judgment.

Within the scope of our assurance engagement, which has been conducted between November 2018 and March 2019, we performed amongst others the following assurance and other procedures:

- Inquiries of employees and inspection of documents regarding the selection of topics for the non-financial report, the risk assessment and the concepts of Klöckner & Co SE for the topics that have been identified as material,
- Inquiries of employees on group level responsible for data capture and consolidation as well as the preparation of the non-financial report, to evaluate the reporting processes, the data capture and compilation methods as well as internal controls to the extent relevant for the assurance of the non-financial report,
- Identification of likely risks of material misstatement in the non-financial report,
- Inspection of relevant documentation of the systems and processes for compiling, analyzing and aggregating data in the relevant areas in the reporting period and testing such documentation on a sample basis,
- Analytical evaluation of disclosures in the non-financial report,
- Inquiries and inspection of documents on a sample basis relating to the collection and reporting of selected data,
- Evaluation of the presentation of disclosures in the non-financial report.

ASSURANCE CONCLUSION

Based on our assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the non-financial report of Klöckner & Co SE for the period from 1 January 2018 to 31 December 2018 has not been prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB.

INTENDED USE OF THE ASSURANCE REPORT

We issue this report on the basis of the engagement agreed with Klöckner & Co SE. The assurance engagement has been performed for the purposes of the Company and the report is solely intended to inform the Company as to the results of the assurance engagement and must not be used for purposes other than those intended. The report is not intended to provide third parties with support in making (financial) decisions.

ENGAGEMENT TERMS AND LIABILITY

The "General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms]" dated 1 January 2017 are applicable to this engagement and also govern our relations with third parties in the context of this engagement (www.de.ey.com/general-engagement-terms). In addition, please refer to the liability provisions contained there in no. 9 and to the exclusion of liability towards third parties. We assume no responsibility, liability or other obligations towards third parties unless we have concluded a written agreement to the contrary with the respective third party or liability cannot effectively be precluded.

We make express reference to the fact that we do not update the assurance report to reflect events or circumstances arising after it was issued unless required to do so by law. It is the sole responsibility of anyone taking note of the result of our assurance engagement summarized in this assurance report to decide whether and in what way this result is useful or suitable for their purposes and to supplement, verify or update it by means of their own review procedures.

Munich, Germany, 7 March 2019

Ernst & Young GmbH**WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT****Nicole Richter****WIRTSCHAFTSPRÜFERIN
(GERMAN PUBLIC AUDITOR)****Annette Johne****WIRTSCHAFTSPRÜFERIN
(GERMAN PUBLIC AUDITOR)**