

SUSTAINABILITY REPORTING

of Klöckner & Co SE

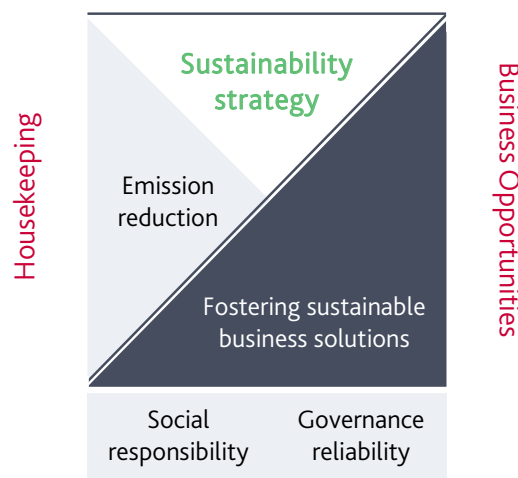
Sustainability reporting 2021 of Klöckner & Co SE	2
Employees action area	17
Responsible Conduct action area	23
Environment action area	29
Digitalization action area	32
Customers action area	35
Independent Auditor's Limited Assurance Report	38

Klöckner & Co SE sustainability reporting 2021

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 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 corporate actions around good ethical behavior, social responsibility, environmental compatibility as well as commercial success. This ethos is enshrined in our Group-wide Klöckner & Co principles and values, which ensure that we share a common understanding and provide specific guidance for our conduct on a day-to-day basis. 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 and new technologies are rapidly being developed, production in particular is still associated with high levels of resource use. However, we as a distributor and important link in the value chain also see it as our duty to continuously improve processes in order to minimize the effects of our business activities.

Our approximately 7,200 employees apply their skills and enthusiasm every day to meeting our customers' needs and wishes. We provide customers with an optimized, end-to-end solution from procurement through logistics to prefabrication, including individual delivery and 24-hour service-processes we are increasingly digitalizing and automating. For example, we use a variety of digital tools and portals to enable us to provide our customers and business partners with a broader spectrum of steel and metal products as well as services. Through our distribution and logistics network comprising around 140 sites in 13 countries, both in Europe and in the USA, 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, but includes larger ones as well (for more in-depth information about Klöckner & Co's business model, see page 31 of the management report).

Sustainability strategy



Building on the "Klöckner & Co 2025: Leveraging Strengths" strategy, Klöckner & Co aims to evolve into the leading digital one-stop-shop platform for steel, other materials and processing services in Europe and America, and to play a pioneering role in the sustainable steel industry. We view the strongly increasing environmental awareness as an extraordinary opportunity. We see numerous ways to rethink existing solutions and replace them with more sustainable alternatives. This calls for pioneers who are willing to generate innovations that make our value creation more sustainable. Under the "Klöckner & Co 2025: Leveraging Strengths" strategy, the Company has made sustainable solutions an integral part of its business model and is building a sustainable range of products and services that will play an important role in the circular economy of the future.

Successful digitalization and the rollout of platforms are pivotal to the reduction of carbon emissions as they make it possible to better anticipate future steel demand and further shrink the emissions footprint in logistics. Data management and automation minimize intransparency and make for efficient resource management, thus benefiting the environment in the long term. With its climate ambitions, Klöckner & Co is driving the potential for innovation throughout the value chain, which is of equal advantage to all market players.

On the way to a sustainable steel industry, Klöckner & Co assumes social responsibility while simultaneously leveraging the strategic opportunities presented by decarbonization. We are working on creating a new portfolio of sustainable steel that is produced with no emissions, thus establishing ourselves as pioneers of a sustainable steel industry. By expanding our range of sustainable products and services in this way, the Company is seizing the strategic opportunity to integrate new, attractive "green" steel into our business model.

Developing sustainable business solutions

One significant milestone in the provision of sustainable products and services has already been achieved: Klöckner & Co has entered into a partnership with the Swedish start-up H2 Green Steel (H2GS), thus securing unparalleled access to substantial quantities of virtually carbon-emission-free steel. Such cooperations enable Klöckner & Co to significantly expand its portfolio of sustainable products and services. We are securing volumes of green steel for our customers at an early stage – with the option of expanding the volume in the future. We believe that our materials can play a major role in the circular economy of the future, unlocking possibilities to develop new products, employ other materials and find new supply chains. This way, we will recognize opportunities for disruption through circularity models, such as modular construction and dismantlable production components for the building industry. Steel is the world's most frequently recycled material and it plays a key role in the transition to a low-emission circular economy. With the addition of green steel to its product portfolio, Klöckner & Co underscores its commitment to a more sustainable economy.

We see our responsibility for lowering our own emissions as well as those in our upstream and downstream supply chains. Back in 2020, Klöckner & Co signed up to the UN Global Compact initiative "Business Ambition for 1.5°C." In aligning its business activities with science-based targets, the Company aims to do its part to reduce global warming to 1.5°C through appropriate measures. As a pioneer in the industry and one of the few players in our sector, we have signed up to the GHG Protocol under the Science Based Targets initiative (SBTi) – the world's most ambitious and significant framework for emissions reduction. Our near-term goals until 2030 have been checked and approved by the Science Based Targets initiative:

Climate goals until 2030 checked and approved by the Science Based Targets initiative

50% reduction in emissions in our direct control (Scope 1, 2 and some in Scope 3) by 2030

30% reduction in emissions not in our direct control (Scope 3) by 2030

Scope 1 includes all direct emissions that are an immediate result of burning fuels as part of the Company's own operations. Scope 2 encompasses indirect emissions associated with purchased energy such as electricity or district heating. Scope 3 covers all indirect carbon emissions generated through the manufacture and transportation of goods. We differentiate between those that are under our direct control (Scope 1, 2 and some in Scope 3), and those that are generated by our suppliers and customers (Scope 3). For the long term, we are committed to reducing directly controllable carbon emissions to net zero by 2040 (Scope 1, Scope 2 and directly controllable Scope 3 emissions). Scope 3 emissions that we can only control indirectly – primarily from externally sourced steel products – are to be cut to net zero by 2050.

Klößner & Co is concentrating on specific action to reduce its ecological footprint, focusing on emissions generated in its own business. Activities to this end include further centralization of energy procurement and a progressive switch to renewable energy sources. In addition, we have already begun converting our car and truck fleet to innovative means of propulsion, including electric mobility and hydrogen. Comprehensive emission analyses and emission limits in procurement and logistics will leverage further potential for savings. With regard to directly controllable carbon emissions from the upstream and downstream supply chains, Klößner & Co will achieve reductions by means of innovative meeting and travel concepts.

Our focus is on carbon-reduction measures. However, it is not possible to avoid all emissions along all supply chains today. Consequently, we additionally compensate the currently unavoidable Scope 1 and 2 emissions by investing in high-quality, certified climate projects. Thus, Klößner & Co has already achieved carbon neutrality with regard to its own business activities.

For us, the dimensions of sustainability also include social responsibility and highly reliable governance in addition to environmental factors. This is because, for Klößner & Co, responsible conduct based on ethical convictions paves the way for long-term business success and hence also for sustainability. In the social sphere, we focus on the way we work with our employees, suppliers and customers and our social surroundings. Occupational safety and health are at the top of our agenda and we engage to promote health with initiatives like Safety 1st and Klößner Cares. Our involvement also specifically targets educational opportunities in communities. We are committed to highly reliable governance, which we deliver on in ways like creating transparency and demonstrating commitment. Our responsible business management and control geared toward sustained value creation builds trust with 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 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 in the long term and in a responsible manner for the benefit of all, we bundle all relevant activities in a Group-wide sustainability management system that covers the three dimensions of sustainability: economic, environmental and social. 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 Strategic Sustainability department, which was created on August 1. Klöckner & Co established this department in order to forge one central unit driving the strategic management to develop sustainable business solutions. A Sustainability Committee was already set up at the end of 2016, composed of managers from Investor Relations, Strategic Sustainability, Legal & Compliance/Personnel & Insurance, Group HR, Risk Management and Digital Transformation. Global Logistics & Operations Excellence assumes responsibility for subsections of the former Safety, Health, Environment and Quality (SHEQ) Management in the Transformation unit. The Sustainability Committee determines the main pillars of the sustainability strategy and, regarding its implementation, coordinates its activities closely with the respective segments and their departments across the Klöckner & Co SE Group. Alongside the expertise bundled in our Sustainability Committee, we purposefully harness our employees' innovative drive. Our employees can use the Company-wide social network Yammer to submit ideas and suggestions, the feasibility of which is subsequently evaluated by Strategic Sustainability as well as by relevant experts.

Sustainability Committee determines main pillars of sustainability strategy

To better ensure the achievability of our non-financial targets and highlight their importance, the Group Management Board's non-financial targets for variable compensation for fiscal 2022 have been expanded. Furthermore, these additional targets in the areas of occupational safety, digitalization and automation, employee satisfaction and reduction of carbon emissions were extended to the entire first management level below the Group Management Board as well as to additional executives at levels two and three.

Commitment to sustainability and fairness

As a pioneer on the way to a sustainable steel industry, the Group has signed up to various standards and initiatives that demonstrate our ambitious commitment. By pursuing a holistic approach, we aim to actively drive the green transformation of the economy and society through the sustainable strategic orientation of our business. Our voluntary commitments demonstrate our ambition and responsibility. (Examples)



Group non-financial report

The following sustainability reporting for 2021 includes the Group non-financial report of Klöckner & Co SE in accordance with Section 315b of the German Commercial Code (HGB) and 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 of the Employees, Responsible Conduct and Environment action areas. In addition, we provide transparent reporting in the following on our broader engagement with regard to sustainability. This includes the chapters relating to the Digitalization and Customers action areas. We report on the social matters aspect in the social commitment section of the Responsible Conduct chapter. The reporting period for the non-financial consolidated report is the fiscal year 2021. Unless otherwise specified, the information covers all fully consolidated companies of the Klöckner & Co SE Group. Following re-evaluation, we decided against using a framework in the preparation of the Group non-financial report, as we do not require a framework to present the relevant information in a structured and stringent manner. In addition, such frameworks build upon different definitions of materiality and result in a choice of topics that is not appropriate for our representation of non-financial aspects. However, verification of the use of a framework is regularly carried out.

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft was engaged to provide a limited assurance review of the information items in the German PDF version of the sustainability report, which contains the Group non-financial report, for the period January 1, 2021 to December 31, 2021.

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 thorough materiality analysis based on the results of the materiality analysis from 2017. The prioritization of the issues reflects their importance in terms of 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 that meet the bar for double materiality. This refers to company activities and business topics that have a decisive negative or positive impact on sustainability aspects outside the organization (inside-out perspective) as well as external sustainability aspects that have a significant impact on internal company activities (outside-in perspective). 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. Our Sustainability Committee discussed, validated and confirmed the relevance of the action areas and (material) topics included in the 2020 materiality analysis. The reporting topics remain unchanged from the prior year. Although sustainability topics continue to evolve rapidly, we also see a need to assess their long-term relevance in order to develop them in a sustainable manner.

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	
	Demographic change	
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	
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 topics for reporting at Klöckner & Co: employee development, occupational health and safety, anti-trust risks, the environmental impact of logistics, customer satisfaction and digital transformation. These topics represent the three obligatory matters 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. Respect for human rights and social matters, both obligatory matters, are not included in the six material topics derived from the materiality analysis. Two material topics – customer satisfaction and digital transformation – go beyond the obligatory and are specific to the Group. Aspects that go beyond the obligatory matters but are derived from the materiality analysis are material according to HGB criteria and are components of obligatory non-financial reporting.

Apart from the topics identified in the materiality analysis, we also report on topics that are significant to Klöckner & Co in connection with sustainability: human rights in the supply chain, corporate governance, fair working conditions, demographic change and social commitment. This way, our reporting covers the two obligatory aspects of respect for human rights (human rights in the supply chain) and social matters (social commitment), which the HGB requires. We identified one new topic in the reporting year, namely sustainable business models, which emerged as a result of its increased strategic significance for the Group. 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." This deal aims to make Europe the first climate-neutral continent. As part of the European Union's "European Green Deal," the EU Taxonomy Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment requires companies to operate more sustainably. The Taxonomy Regulation applies to the EU and its Member States, financial market participants providing financial products, and companies required to make non-financial disclosures, including their non-European subsidiaries.

The EU taxonomy requires companies to review and evaluate whether and to what extent their activities fall under the definition of "ecologically sustainable activities." The regulation includes the following: An economic activity must pursue at least one of six environmental objectives without adversely impacting any of the other objectives. The environmental objectives comprise: (1) climate change mitigation, (2) climate change adaptation, (3) the sustainable use and protection of water and marine resources, (4) the transition to a circular economy, (5) pollution prevention and control, and (6) the protection and restoration of biodiversity and ecosystems. In addition to demonstrating a substantial contribution, taxonomy-compliant activities must fulfill "do no significant harm" criteria and meet minimum social-safeguard standards.

For the first reporting year 2021/2022, a reduced disclosure requirement applies in accordance with Article 8 of the Taxonomy Regulation (EU) 2020/852 and Article 10 of the Delegated Act (EU) 2021/C (2021) 487 of July 6, 2021. Economic operators must indicate which business activities are covered by the EU taxonomy ("eligibility"). For these taxonomy-eligible activities, the share of sales, capital expenditure (CAPEX) as well as operating expenditure (OPEX) for the fiscal year are to be reported. In accordance with Article 8, the underlying sales is defined as net sales under IFRS. For the CAPEX ratio, capital expenditure is to be considered if the costs incurred relate to assets or processes that meet the requirements in the Taxonomy Regulation or are part of a plan to meet such requirements. In addition, investments from the acquisition of taxonomy-eligible activities, as well as individual measures to reduce carbon emissions, are to be recorded. Operating expenditure to be recognized shall cover direct non-capitalized costs that relate to research and development, building renovation measures, short-term lease, maintenance and repair, and any other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment that are necessary to ensure the continued and effective functioning of such assets. The cost types listed above are recognized as taxonomy-eligible OPEX if they relate to assets or processes covered by the taxonomy. In addition, operating costs from the acquisition of taxonomy-eligible activities, as well as individual measures to reduce carbon emissions, are to be recorded.

The only reporting requirement for fiscal year 2021 is the percentage of taxonomy-eligible activities ("eligibility"). The percentage of taxonomy-aligned activities ("alignment") is only required to be reported from 2022. Klöckner & Co is subject to the reporting requirements pursuant to Sections 289b and 315b of the German Commercial Code (HGB). As a result, we include the information required by the taxonomy in our non-financial report. Activities relevant to the first two environmental targets of the taxonomy, namely climate change mitigation and climate change adaptation, have already been defined for 13 industries. At present, the EU Taxonomy Regulation is focused primarily on industries with a significant environmental footprint and whose transformation therefore has a material influence on achieving the previously discussed targets. As the steel distribution sector in which Klöckner & Co is classified has no material influence on the achievement of the targets, it is not currently covered by the EU taxonomy. This results in a reduced disclosure requirement for us under the EU taxonomy. While we expect dynamic regulatory developments to require more comprehensive disclosures in the future, we are already aware of the vital strategic importance that sustainability has for our business (see page 130 regarding our sustainability strategy). We report on our climate targets and sustainable business solutions in the Environment chapter, starting on page 157.

Dynamic regulatory environment

In order to make available the information required by the taxonomy, a project team was formed consisting of employees from the Strategic Sustainability, Corporate Controlling and Corporate Accounting departments. All business activities of Klöckner & Co were classified and bundled in an impact analysis. This produced an overview that was subsequently mirrored by means of internal interviews. The starting point for the classification of our business activities was the description of the taxonomy activity itself and, where needed, the associated NACE codes (Nomenclature statistique des activités économiques dans la Communauté européenne, or the Statistical classification of economic activities in the European Community). The technical screening criteria (TSC) were also included as indications in the analysis of the taxonomy eligibility where useful, without regard to the actual fulfillment of the TSC requirements.

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 EU taxonomy-eligible according to Annex I of the Delegated Act C (2021) 2800 final (climate change mitigation):

- Activity 6.6 Freight transport services by road. According to Annex I of the 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 already comply with emission level E were taken into account.

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 6.5 Transport by passenger cars and commercial vehicles
- Section 7 "construction and real estate activities," in particular the activities installation, maintenance and repair of energy efficiency equipment (7.3), and the installation, maintenance and repair of renewable energy technologies (7.6).

There is currently no consensus on whether taxonomy eligibility under activity 7.7 "buying real estate and exercising ownership of that real estate" extends to warehouses which are primarily used merely for the protection of products, materials and machinery. Since there is considerable doubt as to whether the relevant technical evaluation criteria are applicable to these investments, we refrain from classifying them as taxonomy-eligible.

The Corporate Controlling and Corporate Accounting departments worked in close cooperation to collect key figures for the taxonomy-eligible activities identified. The Group-wide consolidation tool was used for data gathering.

DERIVATION OF KEY FIGURES

The eligible sales related to activity 6.6 was identified as immaterial since, according to the description of the activity, only transport sales performed with trucks of emission level E can be recognized here. However, as this emission level has only been relevant for newly registered vehicle types since January 1, 2021 and was introduced for all vehicle types on January 1, 2022, emission level E vehicles only account for a very small proportion of Klöckner & Co's total truck fleet. The majority of our new trucks purchased in the reporting year comply with emission class D, whose technology and performance level also ensure low fuel consumption and thus drive in a more fuel-efficient and environmentally friendly manner than the lower emissions classes. As a result, the truck fleet as a whole meets the latest requirements. The share of all taxonomy-eligible economic activities in total sales in the fiscal year 2021 amounted to less than 1% of the total sales reported in the Annual Report (see Note (7) to the consolidated financial statements). Consequently, taxonomy-eligible activities are not material for Klöckner & Co's business model in the aggregate. Capital expenditure ("eligible CAPEX") related to assets or processes associated with taxonomy-eligible economic activities was differentiated by asset class. In the 2021 fiscal year, 4.3% 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. The total capital expenditure used as a basis for this calculation corresponds to the sum of gross additions to intangible and tangible assets, as well as right-of-use assets accounted for in accordance with IFRS 16.

All taxonomy-eligible investments relate to investments in property, plant and equipment.

Economic activities	Activity code	CAPEX in €t	Share of total CAPEX in %
Transport by passenger cars and commercial vehicles	6.5	1,907	1.8%
Freight transport services by road	6.6	636	0.6%
Construction and real estate	7.3/7.6	2,058	1.9%
Taxonomy-eligible CAPEX		4,600	4.3%
Non-taxonomy-eligible CAPEX		102,406	95.7%
Total		107,006	

In fiscal year 2021, taxonomy-eligible operating expenses amounted to less than 1% of the total EU taxonomy-relevant expenses of €65,934 million. Total operating expenses as defined by the EU taxonomy include maintenance and repair costs, as well as short-term leasing expenses. The operating expenses attributable to the identified taxonomy-eligible business activities are therefore not material to Klöckner & Co's business model in the aggregate.

In line with the October 2021 publication of the European Securities and Markets Authority ("ESMA"), and in light of the existing dynamics of EU taxonomy legislation, we note that our impact analysis may be subject to subsequent adjustments in the future.

No reportable risks**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 non-financial risks for reportable aspects under Section 315c read in conjunction with Section 289c (3) of the HGB. The investigation took into account the probability of occurrence and the scale of negative impacts on each aspect. No reportable risks were identified.

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. Klöckner & Co considers the recommendations of the TCFD to be a useful extension of reporting on climate-related risks and opportunities, enabling them to be disclosed in a more comprehensible manner. A content overview regarding this thematic area, prepared for the first time in the reporting year, can be found 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. An analysis has shown that not all recommendations can be implemented in detail at the current time. The measures and projects planned for 2022 to further integrate sustainability and climate risks into the risk management system will lay the foundations for the further development of reporting in this area.

Core elements	Climate-related information
Governance	
Disclose the organization's governance around climate-related risks and opportunities	<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 made up of managers from various corporate departments at Klöckner & Co SE.</p> <p>Additional information:</p> <ul style="list-style-type: none"> ▪ Annual Report 2021 (Risks and opportunities) ▪ Sustainability Reporting 2021 (Sustainability management)

Strategy

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

Klöckner & Co views the issue of sustainability in the steel industry as a strategic opportunity and has anchored its sustainable transformation in the Group strategy "Klöckner & Co 2025: Leveraging Strengths." Klöckner & Co aims to become the leading digital one-stop-shop platform for steel, other materials and processing services in Europe and the Americas as well as a pioneer for sustainability in the steel industry. In addition to the digital transformation and automation of processes throughout our value chain, the reduction of Klöckner & Co's environmental impact and carbon footprint has become a strategic focus for the Group. On the way to a sustainable steel industry, we will exploit the strategic opportunities presented by decarbonization. Klöckner & Co is working to create a new range of sustainable steel that is produced with no emissions, thus establishing ourselves as a pioneer of a sustainable steel industry. The high volatility of energy prices is regarded as an intermediate 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, the Group has set ambitious climate targets for itself.

Additional information:

- Sustainability Reporting 2021 (Sustainability strategy)
- Annual Report 2021 (Risks and opportunities)
- Website:
<https://www.kloeckner.com/en/sustainability/sustainability-strategy.html>

Risk management

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

Group risk management is organized in a decentralized Company-wide network and is steered by a central risk management function. The corporate Risk Management department reviews, validates and evaluates the risks identified and assessed by risk owners according to risk category 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. A risk assessment is conducted annually for all material non-financial issues. Klöckner & Co plans to integrate sustainability, climate and other non-financial risks – as well as the assessment and management of such risks – more closely into its overall risk management.

Additional information:

- Annual Report 2021 (Risks and opportunities)
- Sustainability Reporting 2021 (Risk assessment)

Metrics and targets	
<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 & 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. These targets have been validated by the Science Based Targets initiative. We have set ourselves additional climate targets as part of the “kloeckner takes action 2040” campaign. Klöckner & 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. As carbon emissions are central to the assessment of climate-related risks, we consider Scope 1, 2 and 3 emissions to be key metrics. The bonus structure has been adapted to ensure that we reach our climate targets and underscore their importance. As a result, the agreements now also incorporate the achievement of emission reduction targets. They apply to the entire first management level below the Group Management Board as well as to additional executives at levels two and three.</p> <p>Additional information:</p> <ul style="list-style-type: none"> ▪ Sustainability Reporting 2021 (Sustainability management) ▪ Website: https://www.kloeckner.com/en/sustainability/kloeckner-takes-action-2040.html

Sustainable Development Goals

The United Nations 2030 Agenda for Sustainable Development lays the foundation for shaping global economic progress in harmony with social justice and within the Earth's ecological limits. At its core are 17 Sustainable Development Goals (SDGs). We support the 2030 Agenda for Sustainable Development and the 17 Sustainable Development Goals. The goals defined by the United Nations are on an equal footing and are mutually dependent – but 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 positive 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 impacts of our operations. Our action areas for sustainability are reflective of the high relevance that the pursuit of these specific goals has for us. We evaluate our action areas on a regular basis, taking into account the views of internal and external stakeholders as well as the impact of our actions on the environment and society.

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

A safe and healthy working environment

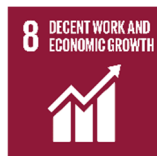


An important prerequisite for our success and sustainable development is the safety and well-being of our employees and business partners. With our Group-wide "Safety 1st" program, we aim to protect our employees, provide safe working conditions and minimize health risks. Klöckner & Co stands for safe, 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. We only work with partners who demonstrate equivalence with our requirements and demand the same from their suppliers.

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 our sights on increasing the number of women in management roles throughout the Group.

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, 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



As a pioneer in the industry and one of the few players in our sector, Klöckner & Co has signed up to the Science Based Targets initiative (SBTi) "Business Ambition for 1.5°C" campaign, the world's most ambitious and significant framework for emissions reduction. The initiative has recognized our near-term emission reduction targets for 2030 as science-based targets. Additionally, we plan to reduce all directly controllable carbon emissions to net zero by as early as 2040.

The sustainable strategic orientation of our business makes us pioneers in our industry and means we can actively drive the green 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. We are also involved in climate change mitigation projects in countries where we do not do business.

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 non-financial reporting: occupational health and safety, employee development, fair working conditions and demographic change. This action area refers to the matter of employee matters, which is required in the HGB.*

For Klöckner & Co, qualified, motivated and healthy employees are the basis on which added value is created: added value for our employees, our company and ultimately 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 principles for all employees, which guide our day-to-day conduct and for which we clearly delineate responsibilities. They are: We take responsibility. We create added value. We are team players. We develop. We discover new things. We make things possible. Our values form the foundation for our new strategy, "Klöckner & Co 2025: Leveraging Strengths": We are committed to staff empowerment, safety, responsibility, credibility and sustainability. A motivating style of leadership, empowering people and fostering a culture of innovation through self-determination, talent development and incentivization are the basis for this. They allow us to advance our innovative capacity, take advantage of opportunities and grow the value of our Company. We continuously optimize our organization, becoming more agile and adaptable to thrive in an environment of continuous change.

*Principles and values shared
Group-wide*

We are proud that Klöckner & Co was named one of the World's Best Employers of the year 2020 in February by Forbes, one of the world's most successful business magazines. We rank among the top 15% of companies included in the survey. This recognition is proof of the continuous optimization of our culture and of the commitment and daily dedication of our employees. This award is based on a global, independent survey of 160,000 employees from 58 countries.

At the start of the year, we once again conducted a Group-wide employee survey. Almost all of the Group companies participated. Compared to the previous year's survey, the results remained largely stable with a slightly positive trend. The participation rate declined slightly from 68% to 64%. The questions that received the most positive responses were whether employees feel they are treated with respect by their immediate supervisor (86%) and whether everyone knows how they can contribute to the Company's goals (85%). More than three out of four respondents (76%) would recommend Klöckner & Co as an employer. This number has clearly grown over the last two years (following on from 68% in 2019 and 71% in 2020). Slightly more than 10% of employees see room for improvement in the feedback culture. Since the survey was conducted with site-level granularity, we can take targeted measures in our response to issues such as the way feedback is handled. The results of the survey are used to rigorously implement change management. They provide the springboard for initiating new HR management measures and developing our culture.

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 – notably with regard to digitalization – and promoting talent from within our own ranks. Most country organizations perform these activities autonomously and have their own HR developers. Our Group-wide HR strategy, known as the Klöckner & Co People Strategy, serves as a guiding framework for forward-looking employee management throughout the Group.

Some 56,000 in-house training courses completed

Continuing education is a high priority at Klöckner & Co. Group-wide, over 56,000 in-house courses were completed in a broad spectrum of areas in the reporting year. The majority of these courses were in IT security, compliance and digital skills development as part of the Digital Academy. Particularly worth mentioning is that the first Group-wide mandatory training on sustainability was offered. The course covers information on basic definitions, emissions reduction and the opportunities that doing business sustainably opens up. The course was well received and given a rating of 8.2 out of 10 by employees on average. Not included in the 56,000 training courses were external, individual training sessions. Employees receive feedback on their behavior and performance up to four times a year during reviews, and individual wishes and training courses are incorporated as part of target agreements. Our internal training programs are of particular importance:

Employees action area

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	Business management 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	Mindset Communication Leadership skills Ethics and compliance Digital transformation	Group-wide
Senior Experience Program	Development training 55+	Impact planning for the future career phase	Pilot program in Germany

For career starters and students, Klöckner & Co offers internships and working student positions across the Group so that 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 3.5% of our entire workforce in the reporting year.

Occupational health and safety

Occupational health and safety is a key issue for us as a steel distributor with a high percentage of wage earners employed at our warehouse locations. A healthy and safe working environment both protects our employees and ensures smooth process workflows.

Over and above 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 1st initiative in Europe and comparable initiatives at our American country organizations since 2013. With guidance from a worldwide survey entitled Safety Perception conducted in 2018, recommendations were made that serve as the basis for continuous improvements.

LTIF value
reduced to 6.9 in 2021

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 and are captured in monthly reports. In the 2021 reporting year, the LTIF was reduced to 6.9 from 9.7 in the previous year. This brought the Group-wide LTIF significantly below the self-imposed annual target value of less than or equal to 9.0. Against the backdrop of rolling targets for the reduction of Group-wide average accident frequency, the target for 2022 is an LTIF value of less than or equal to 7.6.¹

Within the Group, regular exchanges on the topic of occupational safety in Europe are ensured thanks to the committee we have established comprising experts from the European country organizations. This committee meets at least twice a year and is responsible for monitoring the overall measures and coordinating our occupational safety strategy. The committee liaises closely with the US country organizations and reports directly to the managers responsible for operations.

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, SHEQ 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 rollout of adopted measures, subject accident causes to plausibility checking, perform risk analyses and coordinate cross-site training. The Group-wide SHEQ policy was jointly updated in the reporting year and approved by the Management Board.

Local occupational health and safety officers are present at branch level to raise awareness of employees. 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 that memorably presents key rules of conduct in credit card format. In addition, all visitors are required to wear helmets, safety shoes and high-visibility vests. Our operational processes are also optimized on an ongoing basis with individual improvements according to context.

¹ The LTIF applies solely to Klöckner & Co employees. Commuting accidents are not included.

This includes, for example, a series of training videos and a Safety 1st e-learning course that is a firm feature of the onboarding process for every employee. The vital importance of this topic is also informally addressed on Yammer, our internal social network. Pertinent information is regularly shared within the Group, which in turn helps to increase awareness. At the same time, employees regularly remind each other to always observe safety rules and motivate one another to continue to perform well.

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 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 management boards of the country organizations, and all department heads at the holding company. This creates continuous awareness at the top management level.

Safety measures during the COVID-19 pandemic and hybrid working

Klößner & Co's most valuable asset is the health and safety of our employees. Since the start of the global COVID-19 pandemic at the beginning of 2020, the Group as well as the country organizations have routinely developed hygiene concepts and safety measures according to needs and requirements and have repeatedly relaxed or tightened them depending on the severity of the pandemic. At the onset of the pandemic, the advanced degree of digitalization at Klößner & Co meant that employees could perform most of their work at home and continue doing business. This development prompted us to issue a new Group-wide guideline on hybrid working at the end of the summer. It is considered our future standard for sustainable modern working: Anybody who wants to work remotely can do so – as far as the Company's needs permit. We recommend working from home a maximum of three days per week and two days in the office, including two fixed team days in the office each month. The new guideline also has an additional advantage in terms of climate change mitigation. By reducing our employees' commutes, we are lowering carbon emissions.

*New guideline for
hybrid working*

Fair working conditions

For Klößner & 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. The CEO is functionally responsible for Group HR, which includes the definition of and adherence to fair working conditions. 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, 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, www.kloeckner.com. For management, this means resolving critical situations, supporting employees and thus ensuring a constructive and respectful working environment. To do justice to its importance, the topic of respectful interaction is a component of the Group-wide compliance training for all employees.

*Signing the
Diversity Charter*

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. For instance, our digital unit kloeckner.i alone employs people from 25 different countries. To advance diversity management more actively and comprehensively, Klöckner & Co signed the Charta der Vielfalt, or Diversity Charter, in May. 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 commitments entered into 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. "Innovative power comes from diversity in action. In my professional life, I have experienced time and again that great things are created when very different people work together towards a common goal. This is exactly the way we need to work in order to ensure that Klöckner & Co is well positioned in the long term. That's why we must eliminate prejudice and promote appreciation," said CEO Guido Kerkhoff at the signing ceremony.

However, diversity of nationality is not the only important consideration for Klöckner & Co. We also aim to appoint women to specialist and management positions. The percentage of women employed at management levels one to three below board level has already been raised from 8% in 2011 to 18% Group-wide in the reporting period. The aim is to further increase their share to 21% by 2024.

The success of our approach to promoting women in managerial positions is demonstrated by the findings of the 2015 to 2020 iterations of the "Frauen-Karriere-Index" (Women Career Index), a regular survey conducted by Barbara Lutz Index Management GmbH. In March, this annual external survey based on objective corporate data on the promotion of women in management positions singled out Klöckner & Co yet again – as it has every year since 2015 – as one of the top ten companies out of over 200 participants.

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. This action area refers to the matters of anti-corruption and bribery, respect for human rights as well as social matters, which are required by the HGB.*

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 most important 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. These include the Davos Manifesto on sustainable value creation, which we co-signed in January 2020, and the German Industry's Code of Responsible Conduct for Business to which we committed in May 2011.

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.

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 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 and the US Foreign Corrupt Practices Act.

*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 and the prevention of money laundering. 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 Compliance Officer (who is also 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. The GRC organization 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 and on #DigiDesk (intranet). 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 Yammer 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 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 rules implemented.

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 publish the Group policies and procedural instructions in their area of responsibility and 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 of, 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, some 1,039² employees underwent training. 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, we also expanded the number of employees registered for basic compliance training to 630². Additionally, we conduct refresher e-learning sessions throughout the Group to keep our employees up to date.

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 three levels of management and all board members are subject to integrity screening before engagement or appointment.

² Data for the period October 1, 2020 to September 30, 2021.

Detection and reporting

Compliance violations can be reported anonymously to the CCO. Employees and third parties can report potential violations of our Code of Conduct on the Platform's landing page and the Company website. A free-of-charge telephone hotline is also available 24/7 worldwide. The effectiveness of our compliance management is reflected in the figures. We had no serious breach of our policies to report this year, and none of our 12² reviews of individual business sites by Internal Audit identified any antitrust risks or corruption or bribery infringements.

The Chief Governance Officer (CGO) reports regularly to the Company's entire Management Board and the Supervisory Board on the latest compliance-related developments in the Group as well as on an ad-hoc basis in urgent cases. Furthermore, the CEO, who is responsible for Compliance, is regularly informed of compliance-related 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.

Human rights in the supply chain

Klöckner & Co SE and the 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 updated in June, Klöckner & Co does not tolerate any violation of the principles set out in them. Alongside observance of laws and human rights, these principles include the prohibition of child labor and ensuring workforce health and safety, the freedom of association and assembly as well as compliance with the statutory minimum wage and working hours.

*Supplier Code of Conduct
for all key suppliers*

In order to clearly convey this expectation to our suppliers, we introduced a Supplier Code of Conduct Group-wide in fiscal year 2018, which is available on our website and was also sent out to all key suppliers. By their recognition of 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. No equivalence check was carried out in the reporting year, as the business partners concerned must accept our Supplier Code of Conduct as part of a workflow-based supplier onboarding process (Coupa).

² Data for the period October 1, 2020 to September 30, 2021.

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 ensures 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 2021 showed that less than 1% of our products possibly contain tantalum, tin or tungsten. 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. We further 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 2021 reporting year, no suppliers needed to be blocked for failure to provide proof.

Supply Chain Due Diligence Act

The law on corporate due diligence to prevent human rights violations in the supply chain announced in July also affects Klöckner & Co. It aims to improve the international human rights situation by setting requirements for responsible supply chain management for certain companies. In order to comply with our obligations under the law, we began preparations at an early stage and developed measures in meetings, interviews and a workshop. These will be further developed on a consistent basis in order to be able to meet our obligations at an early stage.

Social commitment

Klöckner & Co operates in 13 countries worldwide, maintains some 140 sites and employs around 7,200 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 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.

Social commitment enjoys a high priority at Klöckner & Co, which is why it is managed in the CEO's immediate orbit via the Corporate Office at the holding company and monitored by the Corporate Compliance Office. Projects and other matters are explored in regular consultations with the CEO. Our CEO personally checks on our social commitment, especially activities in the region, for example by visiting schools.

Klöckner & Co 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. To achieve this goal, our contributions center on local projects to educate children and young people or cater to their basic needs, with the aim of benefiting as many youngsters as possible. 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 regional charities.

In 2012, we joined forces with the Stiftung Klavier-Festival Ruhr and created a multi-award-winning education project to foster children's musical and artistic development, which was initially launched at two schools. Five schools in Marxloh now participate. At the beginning of the reporting year, a new program for daycare centers was added whose content is closely related to the music-education work done at the elementary schools. That spotlights the transition from daycare to school and opens up an additional field for cultural work in the community.

Successful partnership with the ReDI School in Duisburg and Berlin

In the reporting year, Klöckner & Co also reaffirmed its social commitment to the ReDI School of Digital Integration (ReDI School), a non-profit coding school, and will continue to support the organization's Kids and Youth Program in Duisburg's Marxloh neighborhood as the main sponsor. Ever since the ReDI School's inception in 2015, Klöckner & Co has been its main sponsor and, in addition to funding, also provides support such as access to space in kloeckner.i's Digital Lab in Berlin. Five ReDI School graduates have since taken up permanent positions at kloeckner.i, most of them working in software development. In August 2019, Klöckner & Co and the ReDI School worked together to launch the additional site in Marxloh. The digital school has seen very strong growth despite the COVID 19-related restrictions. About a year and a half after the launch of the Kids and Youth Program in Marxloh, enrollment has swelled from an initial 70 students to 340 today. The significant growth notwithstanding, the Kids and Youth Program remains focused on promoting job integration, teaching 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. Our country organization in Switzerland, for example, has been strongly involved since 2005 in fostering young talent (under 23 years of age), stepping up as a Gold Partner in SwissSkills. It continued this work in the reporting year, when the competition took place despite the COVID-19 pandemic in a decentralized manner. The competition promotes top performance in some 60 training occupations and promotes appreciation for vocational training – particularly the dual educational and vocational system – in the public sphere.

ENVIRONMENT

*In our business, it is not only economic criteria that play a role but also ecological and social criteria. In terms of environmental protection, we start with the environmental impacts of logistics because that is the area in which 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. The **Environment action area** refers to the matter of environmental matters, which is required in the HGB.*

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, which was updated in the reporting year, covers all relevant environmental aspects, from the responsible use of natural resources and the implementation of renewable energy to the reduction of emissions and waste. The CEO is functionally responsible for this area. Governance functions related to SHEQ fall under the purview of Global Logistics & Operations Excellence within the Digital Transformation and Strategic Sustainability corporate departments. All other functions lie with the country organizations, which have their own logistics departments.

A significant part of our business model involves shipping products to customers by truck. One of Klöckner & Co's key tasks in the Environment action area is therefore optimizing the environmental impact of logistics processes along our value chain. In this context, a high-quality data base and digitalization are vital to the implementation of efficiency measures as they ensure transparency, which leads to sustainable actions along the entire value chain. Thanks to this supply chain optimization, we can achieve "green" effects by reducing waste in procurement, material planning, production, processing, transportation and logistics. It prevents incorrect shipments, cuts inventory and warehousing costs, and reduces the number of trips made by trucks. To this end, 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.

*Optimizing logistics processes
and reducing carbon emissions*

Through the targeted coordination of suppliers and the receipt of goods at level one coupled with enhanced inventory management at level two, we aim to reduce the internal transport between our sites. This is achieved, for example, through optimized inventory allocation and by checking our internal network structures in each country organization on an ongoing basis. By monitoring and reporting relevant KPIs such as transport, warehousing costs and shipments, we can see where networks require adjustment. In the reporting year, two sites were expanded in the United Kingdom: Dudley is now a Center of Excellence, and Thurrock was enlarged to accommodate an expanded range and inventory in London and take pressure off the Leeds site. In Germany, the Regensburg site was converted to a key warehouse for sheets, and the Bremen site is now a processing center for thermal cutting. These measures create synergies in processing and customer deliveries, and also increase truck capacity utilization. In addition, all sites 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.

KloECKner Metals UK attained BES 6001 recertification for responsible sourcing in 2021, this time achieving the higher "Good" standard. BES 6001 is an independent certification system that rates and assesses manufactured products in terms of their responsible sourcing. It covers organizational governance, supply chain management and management requirements for sustainable development such as social and economic impacts. The specialized steel fabricator KloECKner Metals UK Westok was awarded the Steel Construction Sustainability Charter at Gold level. The objective of the Charter is to further advance steel as a sustainable form of construction.

On the third level, 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. 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, KlöCKner & Co Deutschland, KloECKner Metals UK and KloECKner Metals Benelux have been using the ePOD app as a way to further improve logistics processes. This solution is still being tested in France. 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 hence 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.

Sustainable business models

Back in 2020, KlöCKner & Co was one of the first companies in Germany to sign up to the UN Global Compact initiative "Business Ambition for 1.5°C." In aligning its business activities with science-based targets, the Company aims to do its part to reduce global warming to 1.5°C through appropriate measures. KlöCKner & 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 (such as from business travel and commuting), 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. The Science Based Targets initiative (SBTi) has recognized our near-term emission reduction targets for 2030 as science-based targets. KlöCKner & Co additionally plans to reduce all directly controllable carbon emissions (Scope 1, Scope 2 and directly controllable Scope 3 emissions) to net zero by as early as 2040. Scope 3 emissions that we can only control indirectly – primarily from externally sourced steel products – are to be cut to net zero by 2050.

Many measures that enable the Group to operate more sustainably and help to reduce our emissions were launched and implemented during the reporting year. Our efforts in digitalization and our platform strategy support our climate ambitions, as they will enable us to anticipate steel demand with ever greater accuracy and further optimize logistics, thus reducing carbon emissions. The corporate departments Strategic Sustainability and Digital Transformation are managing the project based on this approach. Our CEO is functionally responsible for both areas. The entire Management Board is also kept informed of progress of the project by the department heads.

*Climate goals until 2030
validated by SBTi*

In October, Klöckner & Co SE entered into partnership with the Swedish start-up H2 Green Steel (H2GS), taking a further step in establishing its position as a pioneer in a sustainable steel industry. With this move, we secured unparalleled access to substantial quantities of "green steel." The steel is considered to be almost free of carbon emissions because production at H2GS reduces gross carbon emissions by more than 95% relative to conventional production. This cooperation has enabled Klöckner & Co to significantly expand its portfolio of sustainable products and services. With the new arrangement, the Company is seizing the strategic opportunity to integrate new, attractive green steel into our business model. The addition of green steel to its product portfolio yet again underscores Klöckner & Co's commitment to a more sustainable economy.

Kloeckner Metals UK has completely changed the way wood and pallets are used at the Blackburn site. The pallets are now made in-house, and potential for savings and recycling was also pinpointed. Wood scraps produced can be reused for stacking steel when loading vehicles. In addition, thanks to an incentive system for truck drivers, our pallets are now collected for reuse or recycling. Becker Stahl-Service has also introduced a pallet return system. In the past, the pallets used to transport goods were disposed of after a single use.

As part of our energy management efforts, we intend to increasingly convert to alternative energy sources. We have already centralized energy procurement and aim to transition to 100% green energy. Some sites have already made the change. Solar systems are planned for several sites.

Our approach to water management ensures adherence to local legislation and standards. Since we use virtually no water in our processing, our water consumption chiefly results in conventional wastewater. As a matter of principle, we take care to use resources responsibly and protect the environment, as described in our SHEQ policy. Wastewater is also part of the OHSAS 18001 and ISO 45001 standards, to which the majority of our sites are certified. In addition, we comply with water budgeting legislation and water testing.

We are also constantly working on ways to lower carbon emissions related to our employees' mobility. We published an updated travel expense policy that no longer permits domestic flights within Europe and budgets for compensation for all flights longer than 1,500 kilometers; this policy took effect on October 1. Our hybrid working concept (target: 30% remote work for administrative positions) has already been introduced and should also lower the emissions associated with commuting. In addition, we will be replacing the vehicles in our fleet in stages. In terms of e-mobility and hybrid vehicles, several country organizations have begun efforts to replace company cars and pool vehicles that run on gasoline and diesel. Kloeckner Metals France, for instance, plans to transition entirely to full hybrids and has already begun implementation, while Kloeckner Metals UK offers electric and hybrid vehicles through an employee bonus program. Becker Stahl-Service has purchased electric company cars. The holding company has installed charging stations at its headquarters, with more planned for 2022. The company-car policy, which sets out the framework for Europe, is currently being updated to encourage future mobility concepts. In addition, options for trucks with alternative drive systems are being tested in pilot projects in internal logistics.

Our focus is on avoiding and reducing emissions. To achieve that, we have set ambitious climate targets. However, given today's technological capabilities for reducing emissions or even removing them from the atmosphere, we are not yet able to avoid all emissions at the present time. For this reason, in addition to our reduction measures, we are fully compensating all of our Scope 1 and 2 carbon emissions starting in 2022. With our compensating activities, we support high-quality, certified renewable energy and energy efficiency projects that demonstrably prevent greenhouse gas emissions that would otherwise be generated. In addition, such projects also benefit local communities. Thanks to initiatives such as these, Klöckner & Co has already achieved carbon neutrality with regard to its own business activities.

*Klöckner & Co already
carbon-neutral today*

DIGITALIZATION

*At Klöckner & Co, the digital transformation of our business is an essential component in our strategy of becoming a platform company by automating our core processes. In addition to the clear 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**. This action area refers to a matter specific to the Group and describes the material topic of the digital transformation.*

Klöckner & Co's transformation toward digitalization and automation

Building on our pioneering role in the steel industry, we are further exploiting the significant potential of digitalization – and are now extending it to include 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. Our employees therefore need to incrementally develop their digital mindset, which is crucial to our shared migration to Industry 4.0. All members of the Klöckner & Co SE Management Board are working together to advance our transformation into a digital platform enterprise. However, the CEO has particular responsibility for strategy implementation and receives regular status and progress updates from the relevant functional managers.

"New kloeckner.i": bundling the forces for transformation

Ever since its establishment in 2014, the digital unit kloeckner.i has worked with the Group IT and Digital Transformation departments to launch many key projects for Klöckner & Co's digital transformation. This enabled us to play a pioneering role in the steel industry at an early stage. These three previously independent units are now joining forces to become the "new 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 at the new kloeckner.i. Agility, cross-functional collaboration and employee empowerment are key prerequisites for a successful transformation and better performance. With all our innovative, transformative and 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.

Digitalization action area

This restructuring gives the country organizations a central point of contact that provides not only operative business expertise but also support with the digital business transformation and advice on technical solutions. Three units operate within the new kloeckner.i: Transformation, Product and Engineering & IT. The business and process experts in Transformation cover procurement, sales, logistics and finance. They support the operating business through numerous activities such as conducting projects, developing more efficient processes and helping define the specifications for tools. The Product department defines digital product visions. 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. Meanwhile, 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, during the summer, a new unit, kloeckner.i US, was set up in order to support the transformation of our US business. kloeckner.i US will focus on innovation and transformation and will be closely linked to the new kloeckner.i. Going forward, the aim is to drive international strategic visions and implementation plans to ensure that similar processes are defined for the same business areas. As a central point of contact, the new kloeckner.i will support the projects in these efforts by developing better target processes and highly standardized solutions to achieve a high degree of automation.

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. Employees have access to job-specific, in-house training and language courses via our Group-wide Digital Academy in order to selectively broaden their digital skills. The academy offers numerous online courses for users, mostly with the aim of enhancing these skills. In 2021, the Digital Academy Sales and Digital Academy Warehouse were integrated into the system, offering options specifically for employees in sales and operations.

Digital skills for all staff

Aggregate course registrations in the Digital Academy (rounded)

2019	2020	2021
3,600	9,000	13,000

Another key driver of our cultural change is in-depth internal communication to highlight for employees the need for digital transformation and to alleviate any concerns. As early as 2014, Klöckner & Co introduced the Yammer social network throughout the Company. Our employees use the hierarchy-free communications portal to exchange ideas, hold discussions and as a valuable information resource. The CEO invites all employees to engage in open dialog on Yammer and uses the tool – in addition, for instance, to regular board calls – as an information channel for actions such as communicating on the progress of our digital transformation. In order to enhance cooperation within the Group, promote agility and inspire enthusiasm for innovations, Klöckner & Co continued with the rollout and refinement of #DigiDesk in the reporting year. This lets the workforce make use of all Microsoft Office 365 applications via the cutting-edge intranet. The SharePoint environment also includes the Digital Academy and the employee magazine.

Agility is a key prerequisite for speeding up internal processes and responding instantly to customers' changing wishes – and thus gaining an edge over competitors in the marketplace. A wide range of courses, training and communications initiatives such as Yammer campaigns and posters have helped to establish agile working methods ever more firmly in the Group. The open learning format known as "Espresso Call," focusing on digital topics, is now firmly established. Held on Microsoft Teams, these live video sessions last 30–60 minutes each and feature experts who explain all the essentials of digital and strategic topics. All of these measures let us meet the challenges of digital transformation and forge a link between the internal cultural shift and the operational objectives of our strategy. The growing number of participants registered at our Digital Academy 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

*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. This action area refers to a matter specific to the Group.*

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. That is not always easy, considering the current pressure on supply chains and the wide range of applications.

We aim for a high level of customer proximity both personally and geographically. As a result, the country organizations have full responsibility for ensuring customer satisfaction. Headquarters cannot maintain customer relationships in the same way that local offices are able to. The country organizations work on customer satisfaction every day through their close customer relationships, collaboration and surveys.

That is why, in keeping with the design thinking approach, 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. Accordingly, we actively involve our customers in the process and selectively analyze their personal wishes and needs. This enables us to fulfill customers' needs faster and more efficiently thanks to a variety of digital tools, which we continue to develop on an ongoing basis – applications such as the Kloeckner Assistant, which automates large parts of the administrative sales process. Further improvements were made to the AI-driven application in the reporting year which, as a result of the measures initiated, is expected to be able to digitalize and automate 80% of sales processes in the future. The improvements comprised an increase in the volume of PDF-based requests and orders processed both digitally and semi-automatically, full digital archiving in the SAP document archive, and a substantial improvement in data quality through smart, technical validations and machine learning. These measures are helping to speed up the processing of quotes and orders, and they lower the likelihood of incorrect shipments.

*Kloeckner Assistant automates
the sales process*

We make use of various agile working methods from the start-up world in this context. To 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. 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.

Our digital unit in Berlin, 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. Again in 2021, kloeckner.i worked continuously to further improve the range of digital product offerings and increase user friendliness. This includes new functions in the online shop that improve the user journey and make the customer experience more transparent. The new functions comprise a favorites list and optimized direct ordering. With the favorites list, customers can reach straight for the products they have chosen from the vast range and add them to their carts, which speeds up purchases. Thanks to the expansion of direct orders, customers can now submit their orders quickly and easily by uploading an Excel sheet that contains the item numbers and quantities they need. Both features make each purchase faster for the customer. In addition, the quote feature has been improved to enable customers to search for their specific item number, a function that was previously only available during ordering. Various delivery dates per item are now also displayed in each quote, along with extra information about the offering.

We launched Debrunner Acifer AG's new online shop in July. With our Swiss colleagues on board our e-commerce platform, we can now tap into further potential for optimization and expand the platform in order to offer our customers optimized services. The new platform includes a steel finder, a landing page with forms to make searching the product portfolio faster and easier, and a wide range of content pages.

Customer surveys

In addition, international customers are regularly asked whether they are satisfied with the service provided by Klöckner & Co. The accumulated customer feedback helps to continuously improve the digital system landscape and workflows. In 2021, over 75% of online shop customers said they were very satisfied with Klöckner & Co. Some 250 responses were received internationally via all online shops at the country organizations, where surveys are conducted on an ongoing basis in which existing customers can give feedback. The results are evaluated by kloeckner.i and discussed internally as well as with the country organizations.

Over 75% of customers using the online shop are satisfied

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)

	2019	2020	2021
Klöckner & Co Deutschland	2.25	1.84	1.84*
Kloeckner Metals Austria	1.75	1.75	2.05**

*1,453 respondents; **228 respondents

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. So it is all the more gratifying when our customers appreciate the work we do. In November, the global building services company Johnson Controls honored Kloeckner Metals Corporation (KMC) with a Leadership Award in Shareholder Value for long-term collaboration based on trust. The award is testament to the engagement of the KMC team, who continually drive improvements and innovations with Johnson Controls and enhance shareholder value.

Independent Practitioner's Report on a Limited Assurance Engagement on Non-financial Reporting

To Klöckner & Co SE, Duisburg

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 2021 (hereinafter 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 controls 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.

Independence and Quality Control of the Audit Firm

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 Control 1 published by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW): Requirements to quality control for audit firms (IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüfer-praxis - IDW QS 1) – and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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, are 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 organisation 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
- Analytical procedures on selected disclosures in the Separate Non-financial Group Report
- 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 economic activities and the corresponding disclosures in the Separate Non-financial Group Report

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 2021 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.

Frankfurt, March 1, 2022

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Nicolette Behncke

WIRTSCHAFTSPRÜFERIN
[German public auditor]

ppa. Juliane von Clausbruch