

# SUSTAINABILITY REPORTING

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of Klöckner & Co SE

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# FACTS 2022



Winner German  
Sustainability Award  
in the category "Transformation Field Climate"

Lost Time Injury  
Frequency

**5.8**

(target value for 2022 of 7.6)

**>1,000**

Green Steel Experts

Introduction of  
**Nexigen®**

as an umbrella brand for  
CO<sub>2</sub>-reduced customer  
solutions

Reduce Scope 1 & 2 emissions by 43% compared to SBTi baseline year 2019

CO<sub>2</sub>emissions

**45** Tto

Scope 1 emissions

**7** Tto

Scope 2 emissions  
("market-based")

**8,803** Tto

Scope 3 emissions

**>1,300**

children and young people supported  
through social projects

**>14,600**

digital learning units at the  
Digital Academy completed

# Klöckner & Co SE sustainability reporting 2022

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 channels from around 50 key suppliers across the globe including the world's largest steel producers. Responsible conduct plays a central role in our business model as well as for our self-perception as a company rich in traditions. For us, responsibility means aligning all our business activities with good ethics, social responsibility, environmental stewardship and commercial success. This ethos is enshrined in our Group-wide Klöckner & Co Principles and Values. These ensure that we share a common understanding and provide specific guidance for our conduct on a day-to-day basis. Sustainability along the steel value chain is an issue of particular importance and makes up a core element of our "Klöckner & Co 2025: Leveraging Strengths" strategy. As a distributor and important link in the value chain, we see it as our duty to continuously improve processes in order to minimize the negative and maximize the positive impacts of our business activities. A key driver in communicating our sustainability transformation both internally and externally has been our purpose statement: "We partner with customers and suppliers to deliver innovative metal solutions for a sustainable tomorrow." It guides our daily work, provides direction for our employees and showcases to our customers and business partners what they can count on. In condensed form, it is expressed in our slogan, "Your partner for a sustainable tomorrow."

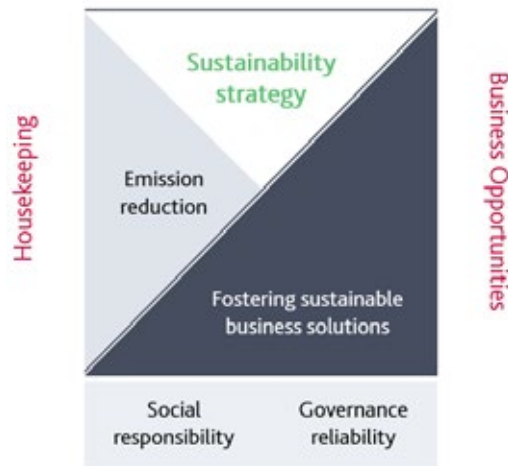
Our approximately 7,300 employees apply their skills and enthusiasm to meet our customers' needs. We provide customers with end-to-end solutions from procurement through logistics to processing, including individual delivery and 24-hour service – processes that we are increasingly digitalizing and automating. For example, we use a variety of digital tools and portals to enable us to provide our customers and business partners with an even broader spectrum of steel and metal products as well as services. Through our distribution and logistics network comprising around 150 sites in 13 countries, both in Europe and in North America, we serve more than 90,000 customers. Our customer base consists primarily of small to medium-sized steel and metal consumers in the construction industry, the machinery and mechanical engineering industry and the automotive industry, but also includes larger customers (for more in-depth information about Klöckner & Co's business model, see page 30 of the management report).

## **Sustainability strategy**

We embrace our responsibility for the environment, safety and our community. This commitment must be reflected in all our actions and decisions. By enforcing high safety standards, we ensure a safe working environment that protects our employees. In terms of integrity, we are a transparent, authentic and modern company.

We demonstrate accountability and commitment to our decisions and actions, and are dedicated to a culture of dealing openly with failures. With the initiatives that make up our "Klöckner & Co 2025: Leveraging Strengths" strategy, we continue to merge the digital and physical sides of our business and aim to take them to the next level. By 2025, Klöckner & Co aims to become the leading one-stop shop for steel, other materials, equipment and processing services in Europe and the Americas.

Sustainability is at the heart of our “Klöckner & Co 2025: Leveraging Strengths” strategy. We approach our dedicated sustainability strategy from an overarching environmental, social and governance (ESG) perspective and integrate it into our strategic planning.



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

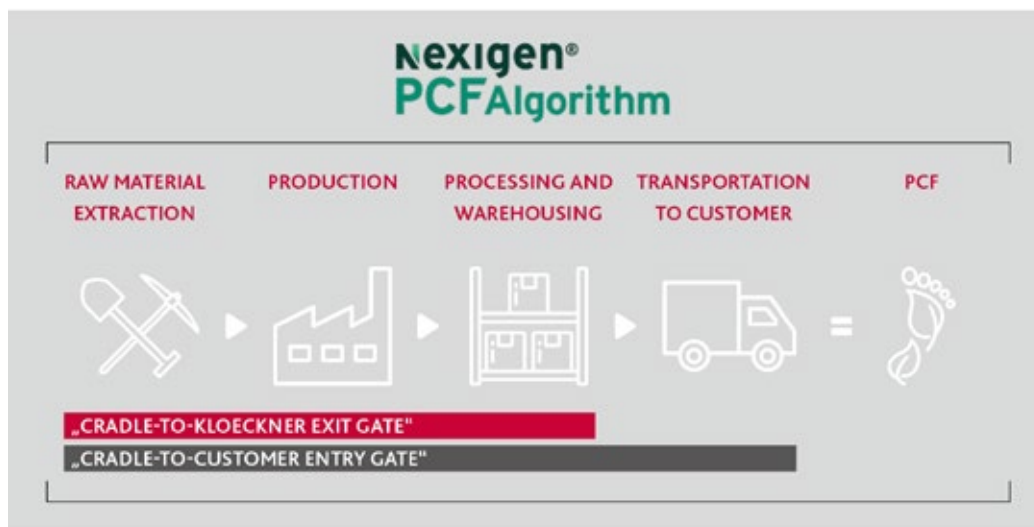
## Nexigen®

Under our Nexigen® umbrella brand, we have focused our sustainable product and service portfolio across the Group, providing transparent, CO<sub>2</sub>-reduced solutions in the categories of materials, processing, logistics, circularity solutions (closed-loop) and comprehensive Sustainability Advisory Services for sustainable customer solutions. In this way, we are already supporting customers to reliably source CO<sub>2</sub>-reduced steel and metal products, while our smart software solutions give them full visibility into the carbon footprint of the products they buy. To provide our customers with optimum support in establishing sustainable value chains, we have introduced rating scales for our CO<sub>2</sub>-reduced steel, stainless steel and aluminum products. These scales are rooted in international, science-based standards and categorize the CO<sub>2</sub>-reduced materials according to their certified emissions along the entire value chain from resource extraction to production and processing (cradle to Klöckner exit gate). They serve as a guide and a comparison tool for customers when determining the carbon footprint of end products. Through numerous partnerships, we already offer our customers CO<sub>2</sub>-reduced steel and metal products today. Klöckner & Co aims for the two lowest carbon footprint categories (“Prime” and “Pro”) - to account for over 30% of its total product range by 2025 and 50% by 2030.

In addition, as of the beginning of 2023, we now provide customers with an individual Product Carbon Footprint (PCF) for almost every product in our portfolio.



This allows customers to reliably, transparently and easily see the carbon footprint of a product purchased from Klöckner & Co. With the Nexigen® PCF Algorithm, we have developed an innovative tool whose automated PCF calculation methodology is certified by TÜV SÜD. The Nexigen® PCF Algorithm's methodology for calculating the PCF follows the internationally recognized Greenhouse Gas Protocol and ISO 14067, ref. 14040 and 14044, and, in accordance with those standards, calculates the product's cradle-to-customer entry gate emissions. As a result, our customers receive information on the extent to which Klöckner materials can contribute to reducing the carbon footprint of their business activities and their own end products, and can reliably include the cumulative carbon emissions of their products in emissions calculations across the entire value chain, from resource extraction to production and delivery at the customer's factory (hence "cradle to customer entry gate").



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

Winner of the German  
Sustainability Award 2023



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

We are the first company in the world to have our net zero carbon targets recognized by the Science Based Targets initiative (SBTi) as science-based in the regular process in accordance with the latest standards. Klöckner & Co has thus committed to reducing Scope 1 and 2 emissions to net zero by 2040 and emissions in the entire value chain by 2050. Our path to net zero is based on the following science-based medium- and long-term carbon reduction targets:

<b>SCOPE 1</b>	100%	50%	<b>NET ZERO</b>
	2019	2030	2040
<b>SCOPE 2</b>	100%	50%	<b>NET ZERO</b>
	2019	2030	2040
<b>SCOPE 3</b> Under direct influence <sup>1</sup>	100%	50%	<b>NET ZERO</b>
	2019	2030	2040
<b>SCOPE 3</b> Not under direct influence <sup>2</sup>	100%	70%	<b>NET ZERO</b>
	2019	2030	2050

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

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

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

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

We pledge ourselves to reliable governance, for example by creating transparency and demonstrating commitment. Our responsible business management and control geared toward sustained value creation aim to build trust with business partners, employees, investors at home and abroad as well as the general public.

### **Sustainability management**

As a tradition-rich company, Klöckner & Co considers it its duty to ensure its own future viability by means of long-term, strategic goals. In this process, responsibility for internal and external stakeholders plays an important role that follows from the size and international presence of our business activities. To shape these relationships in the long term and in a responsible manner for the benefit of all, we combine all relevant activities in a Group-wide sustainability management system. The CEO is functionally responsible for the area of sustainability. Responsibility for sustainability management, strategic control for the development of sustainable business solutions, coordinating all sustainability activities and compiling the Group non-financial report lies with the Corporate Strategic Sustainability Department. The internal Sustainability Committee consists of managers from the corporate departments Strategic Sustainability, Investor Relations, Legal & Compliance, Group HR/Communication and Risk Management. It determines the main pillars of the sustainability strategy and, regarding implementation, coordinates its activities closely with the respective segments and their departments within the Klöckner & Co 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.

To reflect the importance of the carbon reduction targets for our Company, these were integrated into the non-financial targets for variable remuneration of the Management Board from fiscal year 2022. Furthermore, the additional targets in the areas of reduction of carbon emissions, occupational safety, digitalization and automation, and employee satisfaction were extended to the entire first management level below the Management Board as well as to additional executives at levels two and three.

### Commitment to sustainability and fairness

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





### Group non-financial report

This sustainability reporting for 2022 includes the Group non-financial report of Klöckner & Co SE in accordance with Section 315b of the German Commercial Code (HGB), the EU Taxonomy Regulation (EU) 2020/852 of the European Parliament and of the Council and the delegated acts adopted in this respect, as well as the interpretation presented in the section titled "EU Taxonomy" of the Separate Group non-financial report. In the Group non-financial report, we present the non-financial issues of major relevance to our business activities together with the impact of those activities on aspects comprising environmental matters, employee matters, respect for human rights as well as anti-corruption and bribery. This includes the chapters on the areas of action regarding Employees, Responsible Conduct and Environment. In addition, we provide transparent reporting on our broader engagement with regard to sustainability in the chapters on the areas of action Digitalization and Customer Satisfaction. We report on social matters in the social commitment section of the Responsible Conduct chapter. The reporting period for the Group non-financial report is the fiscal year 2022. Unless otherwise specified, the information covers all fully consolidated companies of the Klöckner & Co Group. No framework was used in the preparation of the Group non-financial report, as we do not require a framework in order to present the relevant information in a structured and rigorous manner. We base our climate reporting on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). In the medium-term future, we will report in accordance with the Corporate Social Responsibility Directive (CSRD) on the basis of the European Sustainable Reporting Standards (ESRS).

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft was engaged to provide a limited assurance review of our sustainability report, which contains the Group non-financial report, for the period January 1, 2022 to December 31, 2022.

### 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 areas that contribute to securing long-term success – i.e. the future viability – of Klöckner & Co. We review the reporting topics on an ongoing basis in order to ensure that we are advancing the key issues that are material to a sustainable, forward-looking strategy in a dynamic market environment. In 2020, we conducted a detailed materiality analysis. The prioritization of the issues reflects their business relevance (net assets, financial position and results of operations, innovation and reputation) as well as the impacts of our business activities and the upstream supply chain on the environment and on society. Those topics were categorized as material that meet the bar for double materiality. 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. With regard to the action areas and (material) topics included in the 2020 materiality analysis, our Sustainability Committee once again discussed, validated and confirmed their relevance for 2022. The reporting topics remain unchanged from the prior year.

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	Anticorruption and bribery
	Human rights in the supply chain	Respect for human rights
	Social commitment	Social matters
	Antitrust risks	Anticorruption and bribery
ENVIRONMENT	Environmental impact of logistics	Environmental matters
	Sustainable business models	
	Conservation of natural resources	
DIGITALIZATION	Digital transformation	Group-specific aspects
CUSTOMERS	Customer satisfaction	Group-specific aspects

The materiality analysis carried out according to the CSR Directive Implementation Act yielded the following six material reporting topics at Klöckner & Co: Occupational health and safety, employee development, anti-trust risks, the environmental impact of logistics, digital transformation and customer satisfaction. These topics represent the three obligatory aspects of employee matters (employee development; occupational health and safety), anti-corruption and bribery (antitrust risks) and environment (environmental impact of logistics) according to the HGB. Respect for human rights and social matters, both obligatory aspects, 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 aspects and are specific to the Group. Aspects that go beyond the obligatory aspects, 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 are required by the HGB. Additionally, in line with its increased strategic importance for the Group, we address the topic of sustainable business models as well as providing an insight into environmental topics of relevance to our Company in the section on conservation of natural resources. Our sustainability management is aligned with the five areas of action Employees, Responsible Conduct, Environment, Digitalization and Customers. They also form the chapters of this report.

### EU taxonomy

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

The EU taxonomy requires companies to review and evaluate whether and to what extent their activities fall under the definition of "environmentally sustainable activities". Six environmental targets have been defined by the EU for this purpose: (1) "climate change mitigation", (2) "climate change adaptation", (3) "sustainable use and protection of water and marine resources", (4) "transition to a circular economy", (5) "pollution prevention and control", and (6) "protection and restoration of biodiversity and ecosystems". To date, activities have only been defined for the first two environmental targets of the EU taxonomy, namely climate change mitigation and climate change adaptation.

The percentage of taxonomy-aligned activities has to be reported for the first time for the 2022 reporting year. Activities are taxonomy-aligned if they meet the following three criteria. In order to make a substantial contribution to at least one of the environmental targets, an economic activity must meet the substantial contribution criteria and do not significantly harm any of the other environmental targets. An environmentally sustainable economic activity must also meet social criteria referred to as minimum safeguards. These relate to recognized frameworks such as the UN Guiding Principles for Business and Human Rights and the OECD Guidelines for Multinational Enterprises.

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

*Dynamic regulatory environment  
and limited interpretability*

There are as yet no assessment criteria for Klöckner & Co SE's sales revenue-generating economic activities. Because of this, an adequate presentation is not possible due to the lack of regulatory coverage of our activities under the EU taxonomy. This limits the representativeness and interpretability of the figures with regard to taxonomy eligibility and taxonomy alignment of Klöckner & Co's sales. Given the dynamic regulatory development, we expect that criteria will be defined for our sales-generating economic activities in the future and that these will allow us to report more comprehensively. We are already aware of the in particular strategic importance that sustainability has for our business (see page 111 regarding our sustainability strategy). We report on our climate targets and sustainable business solutions in the Environment chapter, starting on page 138.

#### IDENTIFICATION OF TAXONOMY-ELIGIBLE ACTIVITIES

After identifying the potential main activities based on the product groups and services of Klöckner & Co, we conclude that the following economic activities are initially taxonomy-eligible according to the Delegated Act C:

- 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 in class N1, N2 or N3 for freight transport services by road, fulfilling EURO VI E or its successor. Klöckner & Co mainly makes use of N3 class vehicles for freight transport due to the high payload capacity required. Freight transport by Klöckner & Co with vehicles that meet the above criteria can therefore be taken into account as a taxonomy-eligible economic activity within the meaning of the EU taxonomy. Only Klöckner & Co trucks that at minimum comply with emission level E were taken into account. In addition, it should be noted that we provide the logistics services that fall under category 6.6 generally in conjunction with other activities belonging to steel distribution that are not covered by the EU taxonomy.

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.), "installation, maintenance and repair of renewable energy technologies" (7.6.) and "acquisition and ownership of buildings" (7.7).

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

**DERIVATION OF KEY FIGURES**

As the EU has not yet specified any screening criteria for the material economic activities of Klöckner & Co SE, the possible scope of EU taxonomy reporting for our Company is very limited. This results in the small percentages stated in the following with regard to taxonomy eligibility and taxonomy alignment. The share of all taxonomy-eligible economic activities (activity 6.6) in total sales in the fiscal year 2022 amounted to less than 0.1% of the total sales reported in the Annual Report (see Note [7] to the consolidated financial statements). Capital expenditure ("eligible CAPEX") related to assets or processes associated with taxonomy-eligible economic activities was differentiated by asset class. In fiscal year 2022, 25% of Klöckner & Co's capital expenditure was taxonomy-eligible. Total capital expenditure is the sum of the additions disclosed in Note (16) Intangible assets and property, plant and equipment to the consolidated financial statements from (a) additions to intangible assets excluding goodwill, (b) property, plant and equipment, and (c) leases.

In fiscal year 2022, taxonomy-eligible operating expenses amounted to around 4% of the total EU taxonomy-relevant expenses. Total operating expenses as defined by the EU taxonomy include maintenance and repair costs, building renovation measures, as well as short-term leasing expenses.

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

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

Our taxonomy-relevant disclosures are listed in full at the end of the Group non-financial report.

### 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 direct supply chain give rise to material non-financial risks for reportable aspects under Section 315c read in conjunction with Section 289c (3) HGB. The investigation took into account the risks' probability of occurrence and the scale of negative impacts on each aspect. No reportable non-financial risks were identified. Further information on non-financial opportunities and risks that we have identified is provided in the "Risks and opportunities" section of the management report.

## 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 is provided in the following index to the TCFD recommendations. The index contains references to relevant passages regarding the core elements recommended by the TCFD: governance, strategy, risk management as well as metrics and targets. Not all recommendations can be implemented in detail at the current time.

Core elements	Climate-related disclosures
<b>Governance</b>	
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 &amp; Co SE.</p> <p><b>Additional information:</b></p> <ul style="list-style-type: none"> <li>▪ Annual Report 2022 (Risks and opportunities)</li> <li>▪ Sustainability Reporting 2022 (Sustainability management)</li> </ul>
Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy and financial planning where such information is material	<p>Klöckner &amp; Co views the issue of sustainability in the steel industry as a strategic opportunity and has enshrined its sustainable transformation in the Group strategy, "Klöckner &amp; Co 2025: Leveraging Strengths." Klöckner &amp; Co aims to become the leading one-stop shop for steel, other materials and processing services in Europe and the Americas as well as a pioneer for sustainability in the steel industry. On the way to a sustainable steel industry, we will utilize the strategic opportunities presented by decarbonization. Klöckner &amp; Co works continuously to expand its portfolio of sustainable products and services to further establish its role as a pioneer of a sustainable steel industry.</p> <p>Based on our risk assessment, we currently do not see any significant climate-related risks for Klöckner &amp; Co. In particular, our broad supplier base and decentralized location structure allow us to reduce the impact of physical climate risks. The high volatility of energy prices is regarded as a significant strategic risk. The growing relevance of environmental and sustainability issues, such as carbon pricing, could put additional upward pressure on energy prices in the long term.</p>

	<p>In response to this challenge, the Group is further rolling out its sustainability concept. This includes initiatives such as the tracking and monitoring of carbon emissions and actions to optimize the vehicle fleet and energy consumption in general. To reduce environmental risks, we have set ourselves ambitious climate targets.</p> <p>In addition, our transformation relies on advancements and innovations in the upstream supply chain, which accounts for the majority of carbon emissions from the products we sell. We are addressing this risk by already moving today to forge strategic partnerships for the procurement of CO<sub>2</sub>-reduced products.</p> <p><b>Additional information:</b></p> <ul style="list-style-type: none"> <li>▪ Sustainability Reporting 2022 (Sustainability strategy)</li> <li>▪ Sustainability Reporting 2022 (Risk assessment)</li> <li>▪ Annual Report 2022 (Risks and opportunities)</li> <li>▪ Link: <a href="https://www.kloeckner.com/en/sustainability/sustainability-strategy.html">https://www.kloeckner.com/en/sustainability/sustainability-strategy.html</a></li> </ul>
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#### Risk management

Disclose how the organization identifies, assesses and manages climate-related risks	<p>Klöckner &amp; Co integrated the assessment and management of climate-related risks into Group risk management in 2022. Four risk categories are distinguished in the risk assessment: Transformation risks, physical risks, regulatory risks and reputation 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 risks.</p> <p><b>Additional information:</b></p> <ul style="list-style-type: none"> <li>▪ Annual Report 2022 (Risks and opportunities)</li> <li>▪ Sustainability Reporting 2022 (Risk assessment)</li> </ul>
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Metrics and targets	
Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material	<p>Current climate metrics consist primarily of the measurement of the carbon footprint from Scope 1, 2 and 3 emissions, as well as the measurement of progress towards our ambitious climate targets. Klöckner &amp; Co is committed to halving its Scope 1 and Scope 2 emissions by 2030. With regard to Scope 3 emissions under direct influence, we are likewise going to achieve a 50% reduction by 2030. We look at the entire supply chain – including Scope 3 emissions not under direct influence. We will achieve a 30% reduction of these carbon emissions by as early as 2030. In addition, we have set ourselves further ambitious targets as part of the “kloeckner takes action 2040” initiative. Klöckner &amp; Co plans to reduce all carbon emissions under direct influence (Scope 1, Scope 2 and Scope 3 emissions under direct influence) to net zero by 2040. Emissions not under direct influence – primarily from externally sourced steel products – are to be cut to net zero by 2050. These targets have been validated by the SBTi. As reducing carbon emissions is central to the mitigation of climate-related risks, we consider Scope 1, 2 and 3 emissions to be key metrics. The bonus structure has been adapted to ensure that we reach our climate targets and to 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 Management Board as well as to additional executives at levels two and three.</p> <p><b>Additional information:</b></p> <ul style="list-style-type: none"> <li>▪ Sustainability Reporting 2022 (Sustainability management)</li> <li>▪ Remuneration Report 2022</li> <li>▪ Link:  <a href="https://www.kloeckner.com/en/sustainability/kloeckner-takes-action-2040.html">https://www.kloeckner.com/en/sustainability/kloeckner-takes-action-2040.html</a> </li> </ul>

### Sustainable Development Goals

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 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 a special responsibility and opportunities for influence that vary depending on the goal. We take into account the positive influence that Klöckner & Co has on the achievement of the goals. We support the goals by continuously improving our business processes and services while reducing the negative and maximizing the positive impacts of our business activities. Our areas of action 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 1<sup>st</sup>" program, we aim to protect our employees, provide safe working conditions and minimize health risks. Klöckner & Co stands for safe, fair and clean labor standards and processes. For this reason, we use the lost time injury frequency (LTIF) indicator as a non-financial performance indicator.

As a Group operating globally, we pay special attention to respecting human rights as well as social and ecological aspects in our global supply chains. Our policy is to only work with partners who have equivalent standards and demand the same from their own suppliers. We have expanded our Supplier Code of Conduct further in the reporting year.

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

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



Klöckner & Co is committed to providing an appreciative and prejudice-free working environment. We leverage different ways of thinking, experiences, perspectives and lifestyles for innovative strength and the Company's long-term success. We want to drive sustainable economic growth through diversity and the efficient use of resources. In terms of equal opportunity, the inclusion of women in specialist and management positions is an important concern for us as well. We aim to increase 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 continued 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



Klöckner & Co is the first company in the world to have all net zero carbon targets recognized by the Science Based Targets initiative (SBTi) as science-based targets in the regular process in accordance with the latest standards. The initiative previously already recognized our medium-term emission reduction targets for 2030 as science-based targets.

The sustainable strategic orientation of our business makes us pioneers in our industry and means we can actively drive the sustainable transformation of the economy and society. We are committed to reducing the environmental impact of our own business activities and increasingly establishing elements of a circular economy. We are also involved in climate change mitigation projects in countries where we do not have business activities.

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 and, in addition, fair working conditions and demographic change.*

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 across the entire workforce, nurture talent from within our own ranks, recruit new talent and secure employee loyalty, we need a working environment that is 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 specify responsibilities. They are: We take responsibility. We create added value. We are team players. We develop ourselves. We discover new things. We make things possible. Our values form the foundation for our 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.

In the fall of 2022, we once again conducted a Group-wide employee survey. Almost all of the Group's subsidiaries participated. Compared to the previous year's survey, the results remained largely stable with a slightly positive trend. The participation rate increased from 64% to 69%. The questions that received the most positive responses were whether employees feel they are treated with respect by their immediate supervisor (88%; 2021: 86%), whether their immediate supervisor safeguards the team's occupational safety at work (84%; 2021: 83%) and whether everyone knows how they can contribute to the Company's goals (83%; 2021: 85%). Almost three out of four respondents (73%; 2021: 76%) would recommend Klöckner & Co as an employer. As in the prior year, 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 basis 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 and promoting talent from within our own ranks. Particularly with a view to demographic change, recruiting and securing talent for the long term is central to our corporate success. 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. In the country organizations, local HR departments manage and implement the measures within our Klöckner & Co People Strategy.

More than 51,000 in-house  
training courses completed

Continuing education is a high Group-wide priority at Klöckner & Co., more than 51,000 in-house courses were completed in a broad spectrum of areas within the reporting year. The majority of these courses were in IT security, compliance and digital skills development as part of the Digital Academy. In line with the high priority given to sustainability in our organization, we also provided an e-learning course on the subject of responsibility and future opportunities. Additionally, in connection with the development of our Nexigen® classifications, more than 1,000 sales employees in our country organizations were trained in CO<sub>2</sub>-reduced steel and metal products. 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:

Internal continuing education program	Type	Content	Scope
CREAR 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	Business management issues Leadership skills Change management Agile working methodologies	Group-wide
Senior Experience Program	Development training 55+	Impact planning for the future career phase	Europe-wide

For career starters and students, Klöckner & Co offers internships and working student positions across the Group, so that they can apply and integrate content from their studies in real-life business situations. Our German activities follow the quality standards of the Handelsblatt Fair Company Initiative – Germany's largest employer initiative – to which Klöckner & Co reaffirms its commitment each year. We also offer a large number of apprenticeships and equivalent programs to provide young people with a career entry point while ensuring that Klöckner & Co is able to secure access to well-qualified young talent. In Germany, the percentage of the workforce accounted for by apprentices in the reporting year was 2.6% (2021: 3.5%).

## Occupational health and safety

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

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

The Group-wide goal of our occupational safety initiatives and activities is a consistent reduction in occupational accidents as measured by the lost time injury frequency (LTIF). This is defined as the number of accidents/number of hours worked x 1,000,000. We take accidents into account from the first working day lost. Changes in the LTIF are a firm feature of regular Management and Supervisory Board meetings, in which monthly reporting is carried out. The LTIF was reduced from 7.0<sup>3</sup> in the prior year to 5.8 in the reporting year. This once again brought the Group-wide LTIF significantly below the self-imposed annual target value of less than or equal to 7.6. The target for 2023 is an LTIF value of less than or equal to 5.9.<sup>4</sup>

*LTIF reduced to 5.8  
in 2022*

Within the Group, regular exchange on occupational safety is ensured by a global working group consisting of the relevant managers from our country organizations. It meets at least three times a year and is responsible for monitoring overall activities and coordinating our occupational safety strategy. The working group reports directly to the chief operating officers.

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

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

Local occupational health and safety officers are present at branch level to raise the awareness of employees. This is, for example, executed using training courses and training videos as well as visual management tools such as posters. In addition, all visitors are asked to follow the safety rules. To mark the International Labor Organization's (ILO) annual World Day for Safety and Health at Work, a "Safety Heroes" poster campaign to promote mindfulness and motivate employees was designed at headquarters and made available to the country organizations. Activities were also organized in the country organizations themselves. Klöckner Metals France, for example, hosted a workshop series on the most common accident causes.

<sup>3</sup> Prior-year figure restated.

<sup>4</sup> The LTIF applies solely to Klöckner & Co employees. Commuting accidents are not included.

Our operational processes are also optimized with individual improvements on an ongoing basis. Examples include a series of training videos and a Safety 1<sup>st</sup> e-learning course that is a firm feature of the onboarding process for new employees. The vital importance of this topic is also 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 remind each other to always observe safety rules and motivate one another to maintain good performance.

Accidents are always avoidable and preventive action enables us to proactively avert loss or harm to employees or our business. In the event that an accident does happen, the occupational health and safety officer analyzes it in the local teams together with those concerned 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 Management Board, the management boards of the country organizations and 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**

Klöckner & 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 the needs and requirements and have repeatedly relaxed or tightened them depending on the course of the pandemic. At the onset of the pandemic, the advanced degree of digitalization at Klöckner & 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 in 2021. 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.

### Fair working conditions

For Klöckner & Co, fair working conditions are the basis for the motivation, and hence productivity, of our employees. We are therefore committed to ensuring a working environment characterized by mutual respect and free from discrimination of any kind. In this way, we aim to create an environment that fosters 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 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](http://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.

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. Our digital unit *kloeckner.i* stands out here in particular, encompassing employees from over 28 different countries. To advance diversity management more actively and in all dimensions, Klöckner & Co signed the Charta der Vielfalt, or Diversity Charter, in April 2021. The association that goes by the same name is the largest employer initiative in Germany for the promotion of diversity in companies and institutions. Irrespective of any site's geographical location, the voluntary commitments that were entered into are valid throughout the entire Group. These include fostering a respectful organizational culture, recognizing diversity inside and outside the organization, and implementing the charter in internal and external dialog.

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 Management Board level Group-wide has already been raised from 8% in 2011 to 16% in the reporting period (2021: 18%). 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 top-ten rankings in the 2015 to 2021 iterations of the "Frauen-Karriere-Index" (Women Career Index), a regular survey conducted by Barbara Lutz Index Management GmbH. In the 2022 survey, based on objective corporate data on the promotion of women in management positions, Klöckner & Co was singled out yet again as one of the top ten companies out of over 200 participants.

## RESPONSIBLE CONDUCT

*The **Responsible Conduct action area** encompasses the topic of antitrust risks, which is material to the Group non-financial report, and also elaborates on the topics of corporate governance, human rights in the supply chain and Klöckner & Co's social commitment.*

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

Ensuring adherence to international regulations and fair conduct toward our business partners and competitors is one of our Company's guiding principles. Klöckner & Co 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 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, social responsibility and sustainability, adherence to our fundamental corporate values and principles is of central importance to us. We have formulated these in our Code of Conduct, which is based on the following core values:

- Responsibility and credibility
- Sustainability and safety
- People empowerment.

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

### **Compliance**

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

One of Klöckner & Co's fundamental principles is that our employees act in accordance with prevailing competition law. We are committed to free competition and 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 Organization

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

*Compliance management system  
based on OECD principles*

The Company's corporate compliance organization consists of the Chief Governance Officer, the Corporate Compliance Office (CCO), the Compliance Committee and the National Compliance Offices (NCOs). The CCO is part of the Company's GRC organization. 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 them to be identified and avoided at an early stage. Various compliance tools are used to achieve this aim.

The Company's Management Board has unequivocally expressed its policy with regard to compliance violations in the "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").

*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 the implementation of the rules.

**Code of Conduct, directives and procedural instructions**

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

**Compliance training**

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

As part of the onboarding program, classroom training and e-learning programs familiarize new employees with the content of the Code of Conduct and raise awareness 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 1,920<sup>5</sup> 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, 866<sup>5</sup> employees were registered for basic compliance training. In addition, we provided basic compliance refresher training to 2,431<sup>5</sup> employees during the reporting period. The focus of this training was on refreshing antitrust rules.

**Corruption prevention**

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

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<sup>5</sup> Data for the period October 1, 2021 to September 30, 2022.

### 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 CMS is reflected in the figures: We had no serious breach of our guidelines to report this year, and none of our twelve<sup>6</sup> reviews of individual business sites by Internal Audit identified any antitrust risks, corruption or bribery infringements.

In a regular reporting cycle and in urgent cases on an ad-hoc basis, the Chief Governance Officer (CGO) reports to the Company's entire Management Board and Supervisory Board on current compliance-related developments in the Group. Furthermore, the CEO, who is responsible for Compliance, is regularly informed of 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, Klöckner & Co does not tolerate any violation of the principles set out in them. Alongside observance of laws and human rights, these principles include, in particular, the prohibition of child labor and any form of forced labor, ensuring workforce health and safety, the freedom of association and assembly as well as compliance with the statutory minimum wage and working hours.

In order to clearly convey this expectation to our suppliers, we thoroughly revised our Group-wide Supplier Code of Conduct in the reporting year, among other things to take into account the requirements of the German Act on Corporate Due Diligence Obligations in Supply Chains. Our Supplier Code of Conduct now has an even stronger focus on the prevention of human rights and environmental risks, and formulates our clear expectation that our suppliers actively identify and assess such risks in their own operations and supply chains, and prevent or minimize them within their sphere of influence. Suppliers who refuse to recognize our Supplier Code of Conduct and who have not established an equivalent code of conduct within their own organization are systematically excluded from future purchases. Equivalence is established by the CCO.

*Revised  
Supplier Code of Conduct for all  
core suppliers*

<sup>6</sup> Data for the period October 1, 2021 to September 30, 2022.

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 2022 showed that less than 0.1% of our products possibly contain tantalum, tin or tungsten. We use the Responsible Minerals Initiative's "Conflict Minerals Reporting Template" to systematically track the provenance of conflict minerals for all relevant suppliers should 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 2022 reporting year, no suppliers needed to be blocked for failure to provide proof.

### **Supply Chain Act**

The Act on Corporate Due Diligence Obligations for the Prevention of Human Rights Violations in Supply Chains (Supply Chain Act) adopted in July 2021 also affects Klöckner & Co from 2024 onwards. It aims to improve the international human rights situation by setting requirements for responsible supply chain management for certain companies. Although we will not be subject to the requirements of the Act on Corporate Due Diligence Obligations in Supply Chains until 2024, we already began preparing for our future due diligence obligations in the reporting period. This includes the revision of the Supplier Code of Conduct described in this report and an update to our "Let Us Know" complaints management system. We continue to work on the systematic development of measures, and further tools to meet human rights and environmental due diligence obligations are being developed and implemented throughout the Company.

### **Social commitment**

Klöckner & Co operates in 13 countries worldwide, maintains around 150 sites and employs around 7,300 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 addressing 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 in a framework of Group-wide procedural instructions through which we ensure that our activities have a common thrust while being tailored to individual local 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 Strategic Sustainability Department 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 partner schools.

Responsible conduct  
action area

Klöckner & Co has a clear long-term strategy for supporting non-profit projects in Germany: our aim is to long-term improve educational opportunities 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 to address their basic needs, with the aim of benefiting as many young people 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 additional regional partners.

In 2012, we joined forces with the Ruhr Piano Festival Foundation and created a multi-award-winning education project to foster children's musical and artistic development, which was initially launched at two schools. Over 800 children and teenagers from five schools in Marxloh now participate. Since 2021, there has also been a program for daycare centers, with content closely based on a musical early education provided at elementary schools.

*Over 1,300 children and teenagers supported through social projects*

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. The coding school has developed very positively since the joint inauguration of the Duisburg-Marxloh site in 2019: compared to the prior year, the number of participating students increased from 340 to 500. The significant growth notwithstanding, the Kids and Youth Program remains focused on promoting job integration, acquiring technical and soft skills, and building media skills. In addition, Klöckner & Co supported the PlayTech Summer Camp, which was held for the first time by the ReDI School in the reporting year in cooperation with AWO Integration Duisburg. The camp gave Ukrainian children a chance to discover the creative potential of programming languages and other digital technologies. Its focus was not only on offering children the opportunity to learn German through technology and strengthen their media skills, but also on creating a space for informal interaction, play and fun. In the reporting year, Klöckner & Co also launched a fundraising campaign with employees in which people could participate by making a private donation in support of the United Nations High Commission for Refugees (UNHCR). The organization supports people displaced by the Russian aggression war against Ukraine. Klöckner & Co topped up the fundraising campaign with an additional €50,000, which it transferred to the UNHCR together with the funds donated by employees.

In our international business, each country sets its own priorities within the framework of our donation policy. Our country organization in the USA, for example, works with Ronald McDonald House Charities as a national partner – a non-profit family and children's charity organization that helps families with sick children in times of need. In the Klöckner Cares program, the national country organizations also support regional organizations that address the needs of their communities. The program also enables employees to get involved by volunteering to help those in need.

## ENVIRONMENT

*In our business, it is not only economic criteria that play a role but also environmental criteria. In the **Environment action area**, we address the sustainable transformation of our products and services and the environmental impacts of logistics, this being where we have a major influence on reducing emissions. This is also a material reporting topic for Klöckner & Co. In this chapter, we also report on activities designed to build an emission-free value chain and on the conservation of natural resources.*

### Environmental impact of logistics

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

*Optimizing logistics processes  
and reducing carbon emissions*

A part of our business model that has direct environmental impact consists of shipping products to customers by truck. One of Klöckner & Co's key tasks in the Environment action area is therefore minimizing the environmental impact of our logistics processes along our supply 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 positive effects by reducing waste in procurement, material planning, production, processing, transportation and logistics. This reduces incorrect shipments, cuts inventory and warehousing costs and reduces the number of shipments transported. 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.

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 continually checking our internal network structures in each country organization. By monitoring and reporting relevant KPIs such as transport, warehousing costs and shipments, we can see where networks require adjustment. These measures create synergies in processing and customer deliveries. In addition, our United Kingdom country organization Kloeckner Metals UK and our German country organization Becker Stahl-Service are already certified at all sites to the ISO 14001 environmental standard, which also covers logistics.

KloECKner Metals UK has held BES 6001 certification for responsible sourcing since 2020, achieving the higher "good" certification rating in 2021 and 2022. BES 6001 is an independent certification system that rates and assesses manufactured products in terms of their responsible sourcing. It covers corporate 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 the efficiency of our delivery routes. Efficient planning quality of delivery tours requires adherence to delivery deadlines, optimal capacity utilization of the trucks and route-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, KloECKner Metals Germany, 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 drivers in planning their 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.

*Gradual conversion of the vehicle fleet*

In addition to the efficiency and digitalization measures already implemented, we are also committed to the long-term conversion of our logistics vehicles from combustion engines to more sustainable options and electric mobility. Our US country organization has already carried out a pilot test with an electric truck in 2022. At our subsidiary Becker Stahl-Service, the forklift fleet at the Bönen site was converted from combustion engines to electric systems in the reporting year, resulting in annual carbon emission savings for the site of around 100 tons. Also during the reporting year, KlöCKner Metals UK invested in 40 new trucks that will run on certified hydrogenated vegetable oil. Overall, the vehicles offer a 90% reduction in carbon emissions over the entire fuel supply chain ("well to wheel") compared to conventional diesel vehicles. 20 of these trucks already entered service in 2022 and another 20 will be added to the fleet in early 2023. With these measures, we are expanding our portfolio of sustainable logistics services and enabling our customers to extend their sustainable value chain.

### **Sustainable business models**

In 2022, we became the first company in the world to have our net zero carbon targets recognized by the Science Based Targets initiative (SBTi) as science-based targets in the standard validation process in accordance with the latest standards. This means that our reduction path is in line with the current state of scientific knowledge and therefore with the Paris Climate Agreement target of limiting global warming to 1.5 °C.

*SBTi net zero carbon targets*

We took another step toward more sustainable business models in the reporting year with the publication of rating scales for our CO<sub>2</sub>-reduced steel, stainless steel and aluminum products. These scales are rooted in international, science-based standards and categorize the CO<sub>2</sub>-reduced materials according to their certified emissions along the entire value chain from resource extraction to production and processing (cradle to Klöckner exit gate). In this way, we provide transparency for our customers in the fast-growing and otherwise non-transparent market for CO<sub>2</sub>-reduced steel and metal products. By developing this classification, we aim to avoid greenwashing and help our customers chart out clear paths to future carbon reductions. Through numerous partnerships, we already offer our customers CO<sub>2</sub>-reduced steel and metal products today. Klöckner & Co aims for the two lowest carbon footprint categories – “Pro” (< 700kg CO<sub>2</sub>/t) and “Prime” (< 400 kg CO<sub>2</sub>/t) – to account for over 30% of the total product range by 2025 and 50% by 2030.

Nexigen® as umbrella brand for  
CO<sub>2</sub>-reduced customer solutions

We focused our CO<sub>2</sub>-reduced product portfolio in the reporting year under the new Nexigen® umbrella brand. In this way, we offer transparent, CO<sub>2</sub>-reduced solutions in the area of materials, operations and logistics that help our customers establish their sustainable supply chains. We were already able to make the first delivery of “Pro” and “Prime” category CO<sub>2</sub>-reduced steel under the Nexigen® brand to our longstanding customers Mercedes-Benz and Siemens in 2022.

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

### Conservation of natural resources

Reduction of Scope 1 and 2  
emissions by around 43%

As part of the “Klöckner Takes Action 2040” initiative, our Company has made reducing emissions from our operations and supply chain a top priority in terms of our environmental activities. Our Scope 1 and 2 greenhouse gas emissions amounted to 52.7 thousand tons of CO<sub>2</sub>e in 2022. This means that we have already achieved a reduction in our Scope 1 and 2 emissions by around 43% relative to our 2019 SBTi baseline and are currently at a level on our SBTi target path that has been projected for 2028.

#### GREENHOUSE GAS EMISSIONS

(in Tt CO <sub>2</sub> e)	2022
Scope 1	45.3
Scope 2 (“market-based”) <sup>7</sup>	7.4
Scope 3 <sup>8, 9, 10, 11</sup>	8,803
Thereof purchased goods and services (Scope 3.1)	8,179

<sup>7</sup> “Location-based” (as defined by the GHG Protocol) emissions amounted to 27.6 thousand t CO<sub>2</sub>e in 2022.

<sup>8</sup> In accordance with GHG Protocol, not included Scope 3 categories: Upstream leased assets (3.8), processing of sold products (3.10), use of sold products (3.11), end-of-life treatment of sold products (3.12), downstream leased assets (3.13), franchises (3.14) and investments (3.15).

<sup>9</sup> Calculation methodology for material Scope 3 categories: Purchased goods and services (3.1): average-data method; upstream transportation and distribution (3.4): distance-based method.

<sup>10</sup> System boundaries in accordance with GHG Protocol: The categories purchased goods and services (3.1) and capital goods (3.2) include cradle-to-gate emissions. The remaining categories include activities directly associated with Klöckner & Co. All calculations relate in each case to the full activity data for the reporting year.

<sup>11</sup> Major reference sources for emission factors: Ecoinvent, Ecometrica, Defra, Ademe.



## Environment action area

An important lever in achieving our Scope 1 & 2 reduction targets is the use of renewable energy. Many of our sites have already switched to renewable electricity. This means that 58% of our global electricity consumption already came from renewable sources in 2022. In addition, we installed photovoltaic systems in the reporting year at our sites in Neumarkt am Wallersee (Austria) and Araucária (Brazil), thus enabling our country organizations to power their warehouses with renewable energy generated on-site. We plan to bring further photovoltaic systems into operation in 2023.

Furthermore, we continue to work on ways to lower carbon emissions related to our employees' mobility. We already published an updated travel expense policy in 2021 that generally does not permit domestic flights within Europe and provides for offsetting for all flights longer than 1,500 kilometers. Our hybrid working policy (target: 30% remote work for administrative positions) remains in place beyond the pandemic period and is also intended to lower the emissions associated with commuting. With our revised company car policy, which was published in the reporting year, we have initiated a transformation process to electrify the fleet and centralize fleet management. This gives us more flexibility in a dynamic environment. As part of this, we are currently working on deploying charging infrastructure with a smart charging management system at all Klöckner sites in Germany.

Our prime focus is on direct emission reduction and avoidance. However, the technical scope for completely eliminating carbon emissions remains limited and will continue to evolve over the coming years. For this reason, in addition to our reduction measures, we decided to offset all of our Scope 1 and 2 carbon emissions from 2022 onwards, without taking them into account against our reduction targets. With our offsetting activities, we support two climate change mitigation projects in Nepal and Rwanda. Both of these projects are certified to the high-quality Gold standard of the Swiss Golden Standard Foundation. They are renewable energy and energy efficiency projects that demonstrably prevent greenhouse gas emissions that would otherwise be generated. In addition, they have health and environmental benefits for local communities. As a result, Klöckner & Co is already carbon-neutral with regard to Scope 1 and 2 emissions. We plan to reduce the use of offsetting measures to a minimum in coming years.

In the area of energy management – besides the switch to renewable energy – our main focus is on reducing energy consumption through smart control and conversion to new technologies. Our Group-wide energy consumption amounted to 271 GWh in 2022.

## ENERGY CONSUMPTION

<i>(in GWh)</i>	2022
Total energy consumption	271.0
<i>Thereof direct energy consumption</i>	178.3
<i>Thereof indirect energy consumption</i>	92.7

In our active water and waste management, we take care to use resources responsibly and protect the environment, as described in our global SHEQ policy. This also ensures compliance with applicable local regulations and standards. Since we use almost no water in our processing, our water impact is extremely low and essentially results in conventional domestic wastewater. Wastewater is also part of the OHSAS 18001 and ISO 45001 standards, to which the majority of our sites are certified. Our water withdrawal amounted to 118.8 thousand m<sup>3</sup> in 2022. We have no operational processes that result in significant water consumption. Our wastewater volume is consequently equal to our water withdrawal volume. As a by-product of our operations, we generated a total of 144.9 thousand tons of waste in the reporting year, of which steel scrap accounted for the largest share at 91%. Because of its importance in the manufacture of CO<sub>2</sub>-reduced products, this scrap is generally sent for recycling. In this way, Klöckner & Co supports the transformation of the steel industry into a circular economy.

#### WATER WITHDRAWAL AND WASTE

	2022
Water withdrawal in thousand m <sup>3</sup>	118.8
Waste in thousand t	144.9
<i>Thereof steel scrap in %</i>	91

## DIGITALIZATION

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

### Digitalization and automation at Klöckner & Co

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

Besides the systematic digitalization of internal and external processes, an essential component of this digital transformation is a profound cultural shift within the Company. Therefore, our employees need to gradually develop their digital mindset in order to share in our migration to Industry 4.0. All members of the Klöckner & Co SE Management Board are working unitedly to advance our transformation into a digital platform enterprise. However, the CEO bears particular responsibility for implementing the strategy. He receives regular status and progress updates from the relevant functional managers.

Since its establishment in 2014, our digital unit kloeckner.i has launched 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. All Group-wide IT and digital capabilities are now combined under the umbrella of kloeckner.i. In order to set ourselves apart from the competition even more pronouncedly, we are expanding our digitalization efforts and further automating our internal value chain. We will drive the successful transformation in our markets with results-focused innovation and the development of digital tools. Agility, cross-functional collaboration and employee empowerment are key prerequisites for a successful transformation and better performance. With all our innovative, transformative IT competencies and services united under one roof, our operating units will benefit from more streamlined collaboration and faster development, time to launch and integration of feedback.

kloeckner.i gives the country organizations a central point of contact that provides not only operative business expertise, but also support with the digital business transformation and advice on technical solutions. They support the operating business through numerous activities such as conducting projects, developing more efficient processes and helping define the specifications for tools. 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.

*Innovative skills for all employees*

To ensure that all employees embrace and see themselves as part of the changes, we have prepared a broad range of measures offering everyone the opportunity to acquire digital know-how at their own speed. Employees have access to job-specific, in-house training 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 addition, all courses have been available on the user-friendly new Talentsoft learning platform since 2022. Our employees have already completed over 14,600 courses since the launch of the Klöckner & Co Digital Academy. A goal for the future is to offer more training content on sustainability. This is reflected by a planned expansion of content for 2023 and the transformation of the Digital Academy into the Kloeckner Academy.

Another key driver of our culture change is extensive internal communication with the aim of helping employees understand the need for the digital transformation and providing them with the tools they need to navigate the new structures and address any concerns they may have. 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 insight talks – as a communication channel, among other things, for reporting on the progress of our digital transformation. In order to improve collaboration within the Group, promote agility and inspire enthusiasm for innovation, Klöckner & Co further enhanced the internal #DigiDesk platform in the reporting year. All employees are able to use 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. The growing number of participants enrolled in our Digital Academy shows that our employees are responding positively to the training opportunities we offer and have strong interest in improving their digital skills. 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.*

### 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 a challenge 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 continuously 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 Kloeckner Assistant automate large parts of the administrative sales process. The AI-driven application was further improved in the reporting year and is now able to process plain-text messages as well as PDF files automatically. This new core feature further accelerates the processing of quotes and orders while reducing the likelihood of incorrect shipments. Kloeckner Assistant is thus an increasingly important tool in automated quotation and order processing, and our customers benefit from more rapid fulfillment of their orders.

*Kloeckner Assistant automates  
the sales process*

Using various agile working methods from the start-up world, we keep product development moving forward and on target. We conduct results-driven interviews with customers and use new insight methods such as mapping customer journeys. These involve visualizing the customer experience, from initial contact with the product through the entire use process to long-term product adoption. The resulting insights help us fine-tune our products, tools and services. On this basis, we first develop what is referred to as a "minimum viable product" – one that initially meets just the most basic requirements. We also apply the Lean Startup approach in a variety of in-house projects. As this involves meeting only the most important requirements in the initial stage, we plan to use this approach to develop significantly more rapidly. Improvements can be added progressively later on. That way, we minimize 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. In 2022, kloeckner.i continued the ongoing work of improving the range of digital product offerings and enhancing ease of use. During the reporting year, the e-commerce portal interface was further enhanced to put it on a new technological and user-friendly basis. All new designs underwent a standardized process of validation and iterative improvement with customers and independent reviewers.

### Customer surveys

In addition, customers are regularly asked whether they are satisfied with the service provided by Klöckner & Co. A customer survey with more than 30,000 participants was conducted on the website during the reporting year. The accumulated customer feedback helps to continuously improve the digital system landscape and workflows. In 2022, over 76% of online shop customers said they were fully or partly satisfied with the Klöckner & Co e-commerce portal.

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 product 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)

	2020	2021	2022
Kloekner Metals Germany	1.84	1.84	1.96
Kloekner Metals Austria	1.75	2.05	1.66

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.

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Customers action area

## Overview EU Taxonomy Sales 2022

Economic activities (1)	Code(s) (2)	Absolute sales (3)	Proportion of sales (4)	Substantial contribution criteria						
				Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	
		kEUR	%	%	%	%	%	%	%	
<b>A. TAXONOMY-ELIGIBLE ACTIVITIES</b>										
<b>A.1 Environmentally sustainable activities (Taxonomy-aligned)</b>										
Sales of environmentally sustainable activities (Taxonomy-aligned) (A.1)										
<b>A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)</b>										
Sales of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)										
Total (A.1 + A.2)										
<b>B. TAXONOMY-NON-ELIGIBLE ACTIVITIES</b>										
Sales of Taxonomy-non-eligible activities (B)		9,378,685.63	100.00							
<b>Total (A + B)</b>		<b>9,378,685.63</b>	<b>100.00</b>							



### DNSH criteria

[illegible]

## Overview EU Taxonomy CAPEX 2022

Substantial contribution criteria									
Economic activities (1)	Code(s) (2)	Absolute CAPEX (3) kEUR	Proportion of CAPEX (4) %	Climate change mitigation (5) %	Climate change adaptation (6) %	Water and marine resources (7) %	Circular economy (8) %	Pollution (9) %	Biodiversity and ecosystems (10) %
<b>A. TAXONOMY-ELIGIBLE ACTIVITIES</b>									
<b>A.1 Environmentally sustainable activities (Taxonomy-aligned)</b>									
CAPEX of environmentally sustainable activities (Taxonomy-aligned) (A.1)									
<b>A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)</b>									
Transport by passenger cars and commercial vehicles	6.5	1,401.62	1.09						
Freight transport services by road	6.6	24,747.32	19.17						
Installation, maintenance and repair of energy efficiency equipment	7.3	660.71	0.51						
Installation, maintenance and repair of renewable energy technologies	7.6	118.74	0.09						
Acquisition and ownership of buildings	7.7	5,305.44	4.11						
CAPEX of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		32,233.83	24.97						
Total (A.1 + A.2)		32,233.83	24.97						
<b>B. TAXONOMY-NON-ELIGIBLE ACTIVITIES</b>									
CAPEX of Taxonomy-non-eligible activities (B)		96,859.31	75.03						
<b>Total (A + B)</b>		<b>129,093.15</b>	<b>100.00</b>						

### DNSH criteria

[illegible]

## Overview EU Taxonomy OPEX 2022

Substantial contribution criteria									
Economic activities (1)	Code(s) (2)	Absolute OPEX (3) kEUR	Proportion of OPEX (4) %	Climate change mitigation (5) %	Climate change adaptation (6) %	Water and marine resources (7) %	Circular economy (8) %	Pollution (9) %	Biodiversity and ecosystems (10) %
<b>A. TAXONOMY-ELIGIBLE ACTIVITIES</b>									
<b>A.1 Environmentally sustainable activities (Taxonomy-aligned)</b>									
OPEX of environmentally sustainable activities (Taxonomy-aligned) (A.1)									
<b>A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)</b>									
Transport by passenger cars and commercial vehicles	6.5	430.98	0.65						
Freight transport services by road	6.6	1,970.59	2.95						
Installation, maintenance and repair of energy efficiency equipment	7.3	106.75	0.16						
OPEX of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		2,508.32	3.76						
Total (A.1 + A.2)		2,508.32	3.76						
<b>B. TAXONOMY-NON-ELIGIBLE ACTIVITIES</b>									
OPEX of Taxonomy-non-eligible activities (B)		64,287.70	96.24						
<b>Total (A + B)</b>		<b>66,796.02</b>	<b>100.00</b>						

### DNSH criteria

[illegible]

# Independent Practitioner's Report on a Limited Assurance Engagement on Non-financial Reporting<sup>1</sup>

To Klöckner & Co SE, Duisburg, Germany

We have performed a limited assurance engagement on the separate non-financial group report of Klöckner & Co SE, Duisburg, (hereinafter the "Company") for the period from 1 January to 31 December 2022 (hereinafter the "Separate Non-financial Group Report").

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

## **Responsibility of the Executive Directors**

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

This responsibility includes the selection and application of appropriate non-financial reporting methods and making assumptions and estimates about individual non-financial disclosures of the Company that are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal 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.

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<sup>1</sup> PricewaterhouseCoopers GmbH has performed a limited assurance engagement on the German version of the separate non-financial group report and issued an independent practitioner's report in German language, which is authoritative. The following text is a translation of the independent practitioner's report.

### 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 Wirtschaftsprüferpraxis - 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 organization and stakeholder engagement
- Inquiries of the executive directors and relevant employees involved in the preparation of the Separate Non-financial Group Report about the preparation process, about the internal control system relating to this process and about disclosures in the Separate Non-financial Group Report
- Identification of likely risks of material misstatement in the Separate Non-financial Group Report
- 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 and taxonomy-aligned economic activities and the corresponding disclosures in the Separate Non-financial Group Report
- Evaluation of CO<sub>2</sub> compensation certificates exclusively with regard to their existence, but not with regard to their impact

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

#### **Assurance Opinion**

Based on the assurance procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the Separate Non-financial Group Report of the Company for the period from 1 January to 31 December 2022 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 3, 2023

PricewaterhouseCoopers GmbH  
Wirtschaftsprüfungsgesellschaft

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