



# Sustainability Report 2019





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## CEO Statement

### Welcome to the First Marelli Sustainability Report

In what is an important milestone for our Company, this year's report brings together a summary of the progress and activity for Marelli in 2019. During which time, Calsonic Kansei's acquisition of Magneti Marelli completed and the Company formally began operating as one.

At the time of preparing this report, we, like every other business and global society, have been dealing with the global pandemic of COVID-19. The unprecedented challenge that this crisis presented has touched every part of our business and our communities. Our focus throughout has been to ensure the health and safety of our people while delivering for our customers and communities.

Within this report, we will update you on all of the progress we made during 2019, before the global pandemic hit. Marelli's ongoing transformation, post-merger integration, as well as the actions we took early on to anticipate and react to the impact of COVID has until now helped our Company withstand the effects of the pandemic. This focus on what we can control, combined with the ongoing support of our shareholder and banks, leaves us confident in our ability to deliver against our growth plans for new technologies and future geographic expansion.

#### Creating a Leading, Global Supplier

Two years ago, we began a program of transformation within Calsonic Kansei, which we have since rolled out across Marelli. The Transformation Program is making the Company more competitive, more diversified and more efficient. Our original goals were driven by the need to extend into new geographies, improve our time to market, become more product centric and focused on the future technology, and become more efficient through leaner processing and organizational structure.

The partnership between Calsonic Kansei and Magneti Marelli enabled us to significantly accelerate this strategy. It gave both businesses the immediate access to new markets, products, people, innovation and *Monozukuri*. It was and still is today – about bringing together the best of both worlds.

Marelli would be nothing without its people. A key priority for us in the past year has been the integration of the two companies, working towards building and embedding a culture that represents Marelli's own vision and goals, to take us successfully in to the future. In the last 18 months as Marelli we have made a lot of progress in integrating the two businesses. There has been a real focus on creating new ways of working to bring us closer together and make sure that we all – no matter where we are based in the world – have the same experience as a Marelli employee.



Integration until now has been targeted towards the roll out of our organizational and team structures, branding, vision, mission and values, policies, platforms, KPIs and more. There is a lot more for us to do to create one Marelli identity and help our stakeholders feel even more pride in the organization they represent.

When we developed our new, one Company, one culture, core values last year, we made sure that the traditions of Innovation and Excellence (*Monozukuri*) remained firmly at the center of our vision for the future. We built on this further to create a unique set of values for our Company, which includes Sustainability in addition to Diversity and Collaboration. By including Sustainability in these five core values, we are reminded every day of our responsibility to conduct ourselves in a way that considers and promotes our social, environmental and ethical responsibilities.

### A New Approach to Sustainability

Sustainability and responsibility will play an increasingly important role as Marelli evolves and develops as a leading independent global supplier. How we operate and manage our own operations to minimize our impact on the environment; the technologies we create for vehicles now and in the future; as well as how we think, act, govern ourselves, pursue growth responsibly and give back to society are all front of mind as we work to build and integrate Marelli.

As separate entities, Magneti Marelli and Calsonic Kansei took their responsibilities within Sustainability and Corporate Responsibility very seriously. Both organizations recognized the role they could play in shaping the environment they operated in. As one Company, we want to go further. Earlier this year, we completed an assessment of all our key stakeholders to understand the key priorities that matter to them. The result of these efforts have shape our early thinking on the material areas of focus for us as we build our sustainability strategy further.

### Next Steps

In Q4 of 2020, we will outline Marelli's first Mid-Term financial and strategic plan. Within this, we will outline the very stretching targets that we have set ourselves over the next five years. Sustainability plays a key role in the delivery of these ambitions. We will follow up to the Mid Term Plan in early 2021, with a new set of Sustainability KPIs which will enable us to measure the progress we make in this important area.

I look forward to hearing more from all of our key stakeholders on the topic of sustainability in the coming months and years. For now, on behalf of the Executive Team, I hope you find this first Marelli Sustainability report interesting and informative.

**Beda Bolzenius**  
President and CEO, Marelli



#### Sustainability of our Operations

We have made good progress so far in reducing our impact on the environment around us. We will be focusing even more in the coming years on more sustainable use of resources, including recycling and reuse, energy and water consumption, CO<sub>2</sub> emissions. We will be holding ourselves accountable by setting stretch targets to measure our progress against ourselves and others.

#### Advanced Mobility and Innovation

The shift away from vehicles dependent on fossil fuels towards more environmentally friendly modes of transportation has turned the entire industry on its head. At Marelli, we have an abundance of smart, innovative minds working to identify how we work to shape the future of mobility. Industry 4.0, a transformation to smart manufacturing, has changed the landscape entirely, and our goal is to be at the forefront of this revolution in the years to come.

#### Responsible Corporate Citizen

We are defined by the values we uphold as individuals and as an organization. The Marelli values of Innovation, Diversity, Collaboration, Sustainability and Excellence (*Monozukuri*) are the guiding principles that drive everything that we do. To build and maintain trust with all stakeholders, whether it be our employees, customers, suppliers, communities, governments or NGOs, our aim is to make sure that our values are present in our everyday interactions.

# Marelli at a Glance

## OUR PRESENCE IN THE WORLD



### ENVIRONMENTAL PERFORMANCE:



ISO 14001

**98%** of our Facilities



Carbon Emissions<sup>1</sup>

**586,440**

tonnes of CO<sub>2</sub> eq



ISO 50001

**46%** of our Energy Consumption

<sup>1</sup> Prior year comparisons are not available, as each entity was operating separately. The perimeters of calculation changed during the period, due to inclusion and exclusion of several production plants.



Consolidated Revenue

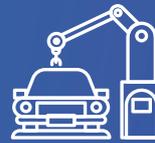
**¥1,664,362 Million**  
(€13,642 Million)<sup>2</sup>

One of the

**TOP 10**<sup>3</sup>

Independent Suppliers in the World

R&D Expenditure



**¥69,057 Million**  
(€566 Million)



**Over 170**  
Facilities and R&D Centers

**SOCIAL PERFORMANCE:**



Consolidated Number of Employees

**60,287**



Lost Time Injury (LTI) Rate<sup>4</sup>

**1.38**

(includes employees and workers who are not employees)



Health and Safety Management System (OHSAS 18001/ISO 45001)

**47%** of Marelli Facilities



Number of Customer Quality Awards Received

**21**

<sup>2</sup> €1 = ¥ 122.0058

<sup>3</sup> Source: Automotive News (June 29, 2020)

<sup>4</sup> LTI Rate = Number of lost time injuries occurred in the year/ total hours worked in the same year x 1,000,00

# Vision, Mission, Values and Personality

The consolidation of two unique companies to create a leading global supplier presents an opportunity to motivate and inspire our stakeholders through building a united culture. The roll out and implementation of the new [Marelli Vision, Mission, Values and Personality \(VMVP\)](#) has been a critical and ongoing factor in our success of becoming one team, one Company with one culture.

Since January 2020, the newly formed Co-Creation Team has been working to increase the awareness of VMVP inside Marelli, defining "where we want to go" and "what we want to be".

Our Vision reflects our shared ideals and aspirations, helps us set goals and encourages all employees. In this perspective, we expect to innovate and transform the future of mobility putting heart and soul into what we do and making the most of our passion for excellence in innovation for a safer, greener and better connected world.

The Mission represents "what we offer" and "where we want to go." Indeed, for our customers we want to be an indispensable ally and, through our collaborative spirit, we will continuously push the boundaries of technology.

Further to build a solid culture, our working experience inside Marelli should be driven every day by our common shared Values: Innovation, Diversity, Collaboration, Sustainability and Excellence (*Monozukuri*). Only by reflecting on the behaviors of our Mission, Vision and Values do we create our Personality, our way to be one team and one Company. We are diverse and multi-cultural but with a common goal: to do our best and put all our efforts in what we do; we want to create a harmonious workplace that inspires the best in people and that inspires us to go further.

It is therefore undeniable that our new Marelli culture is a strategic resource necessary for our development, an essential investment key for increasing our competitiveness as a global partner.



## Our Values:

- **Innovation:** For over a century we have been shaping mobility with the technical brilliance of our people. Our innovation is key to staying a step ahead as we strive to enable the future.
- **Diversity:** We aim to promote a culture based on diversity and inclusion. Our future success will be driven by an appreciation of our diverse heritage and culture, as well as the contributions and successes that come from a business that reflects every aspect of our societies, no matter age, gender or race. In addition, we will foster diversification of our customers and geographic footprint.
- **Collaboration:** Collaboration is part of who we are, it's in our DNA. We work in partnership with our stakeholders, across all boundaries, working efficiently to drive better solutions.
- **Sustainability:** We have a duty to pursue growth responsibly and conduct ourselves in a way that considers and promotes our social, environmental and ethical responsibilities.
- **Excellence (*Monozukuri*):** *Monozukuri* is the aspiration towards perfection and the spirit of continuous improvement. It is expressed in the manufacturing of our products, in providing excellent services in a timely manner and in fully meeting customers' expectations.

## Mayumi Sakata

Senior Vice President  
Chief Integration Officer (CIO)

" Marelli has had a phenomenal first 12 months. We have come together under a new brand and are working to actively engage our people under our new vision, mission and values. What makes us strong is our will to progress together under the common ambition for the future of Marelli. "

# Integrating Sustainability into Our Business

As part of our strategic planning and integration, we commissioned a multi-stakeholder, Marelli-wide assessment to identify the key material topics relevant to Marelli and its stakeholders. We value views from both our internal and external stakeholders, enabling us to focus on our sustainability topics of greatest concern so we can allocate the required resources to address acknowledged risks and capitalize on business opportunities.

The materiality assessment process provided the necessary context to review the relative priority of various ESG (environmental, social and governance) and financial issues that stakeholders believe to be important, and to review the risks and opportunities to be more agile in responding to changes that lie ahead of us.

## Materiality Assessment

### Step 1: Identification of Sustainability Topics

To identify the full list of potential topics, we conducted a comprehensive review of the latest sustainability trends, industry benchmarks and material topics identified by former company entities. We also incorporated important international and ESG-focused frameworks and ratings including: World Economic Forum's Global Risk Report, GRI Standards, Sustainability Accounting Standards Board (SASB), CDP, SAM Corporate Sustainability Assessment (formerly Dow Jones Sustainability Index), FTSE4Good, EcoVadis, and the United Nations Sustainable Development Goals (UN SDGs).

We have identified 17 material topics in this step and provided the basis for the communication with the stakeholders in the next step.

### Step 2: Conducting Materiality Analysis

We engaged with our employees (approximately 6,500 responses to an anonymous survey, available in seven languages) and 19 major customers to gain insights into stakeholders' priorities among the 17 identified material topics. We utilized engagement channels such as online tools to assess the importance of the topics to our stakeholders and to the Company.

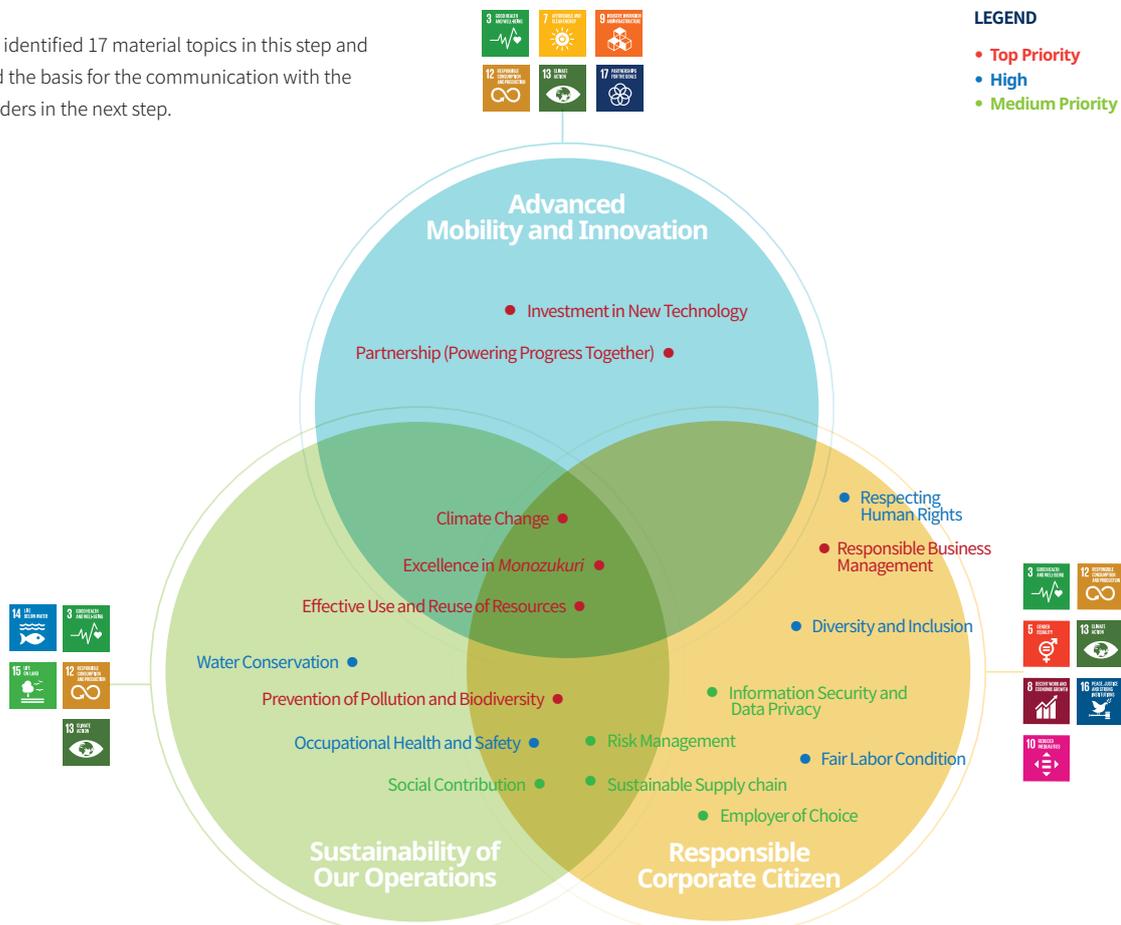
### Step 3: Validation and Approval

Material topics were validated and approved by members of our Board including our CEO.

The outcomes from the materiality analysis will support the development of Marelli's strategy and way forward on our sustainability journey.

## Materiality Topics Prioritization

We mapped out the priorities of the 17 material topics in terms of top, high and medium priority. The material topics are fully integrated with the pillars of our Sustainability strategy - Sustainability of Our Operations, Advanced Mobility and Innovation and Responsible Corporate Citizen - and discussed in detail within this report.



# Sustainability of Our Operations



The next 10 years have been defined as the climate decade, given their crucial importance for achieving the global climate objectives. According to the International Panel on Climate Change (IPCC), global emissions need a 45% reduction by 2030 in order to avoid dangerous impacts from climate change. Recently, the European Commission has launched the Green Deal, with the ambitious plan to halve the Greenhouse Gas (GHG) emissions of Europe by 2030.

As one of the world's leading independent suppliers of the automotive sector with approximately 60,000 employees and 170 facilities and R&D centers across the world, we have the opportunity to make significant steps towards greater sustainability, committing to making our operations more sustainable every day. We strive to be an environmentally and socially responsible Company by continuously reducing the environmental footprint and improving performance of our operations, ensuring the health and safety of our employees and contractors and complying with all applicable regulatory requirements and international standards.

## Meeting International Standards for Environment, Energy and Health and Safety



### Hiroyuki Ishikawa

Executive Vice President  
Chief Quality Officer (CQO) & Head of Manufacturing

" The environmental challenges that our communities face cannot be ignored and we have a role to play in contributing towards a greener future. That not only means through the creation of environmental technologies, but also how we run our operations."

## Our Environmental, Health and Safety Policy

In 2019, as part of the integration process, we conducted an internal benchmarking of Environmental, Health and Safety (EHS) management practices between the two former entities to define the new environmental and health and safety management approach, aligned with the best practices. This activity led to strategizing a road map aiming at defining the new [Environment Health & Safety \(EHS\) Corporate Policy](#), the EHS management procedures, new targets, environmental and health and safety Key Performance Indicators (KPIs) and data collection system to ensure constant monitoring of our performance and trends.

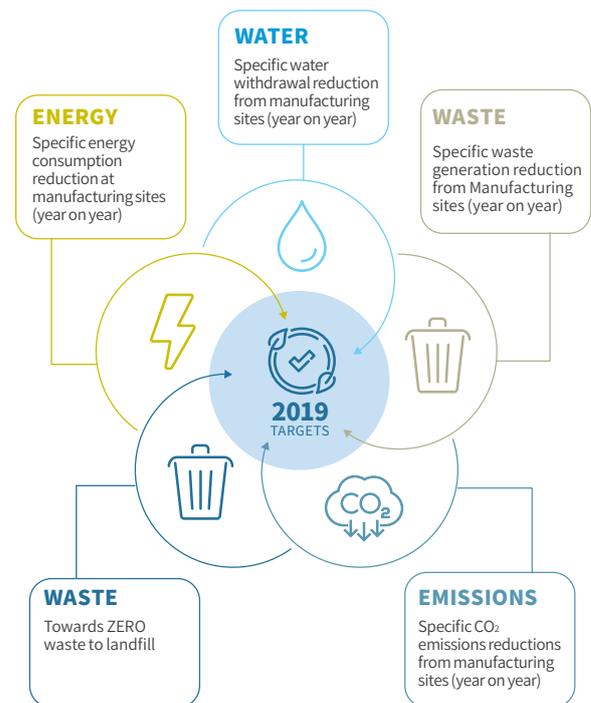
The new EHS Policy outlines our vision and commitments to enhance sustainability in our operations: tackling climate change through recycling and increasing efficiency in the use of resources; reducing water consumption and pollution; protecting ecosystems; and ensuring the health and safety of our employees.

## Our Commitments

 <p>Conduct our business in full compliance with the applicable local legislation, relevant requirements of stakeholders and international standards.</p>	 <p>Identify and manage emergencies, minimizing and safeguarding against impacts on people and the environment.</p>	 <p>Minimize the environmental impact of our operations, products and services, by rationalizing the use of natural resources and raw materials, reducing the production of waste and by reducing emissions of GHG and pollutants.</p>
 <p>Disseminate and promote our commitment to continual performance improvements among all stakeholders.</p>	 <p>Improve the condition of our workplaces constantly, for the benefit of all workers (by rapidly identifying and assessing health and safety risks and implementing suitable preventive measures) and promote consultation and participation of workers.</p>	 <p>Reduce the use of potentially hazardous substances.</p>
 <p>Promote training, information and awareness-raising initiatives.</p>	 <p>Promote the development and design of environmentally friendly products with consideration to the lifecycle incorporating Environment, Health &amp; Safety topics in all key corporate decisions.</p>	 <p>Conserve biodiversity and ecosystems.</p>
		 <p>Require our suppliers to implement and maintain efficient EHS management systems throughout the supply chain.</p>

According to our policy, in each of our sites, we encourage the implementation, maintenance and continuous improvement of EHS management systems in accordance with international standards and our internal procedures. As of 2019, approximately 98% of our plants have a management system certified in accordance with ISO 14001 (environmental management), 47% with OHSAS 18001 or new ISO 45001 (health and safety management) and approximately 46% of our energy consumption is covered by a certified energy management system in accordance with ISO 50001.

In 2019, as part of our integration process, we started defining new, companywide environmental impact reduction targets. Corporate targets set before the integration of the two companies were cascaded down to each business unit and each site with the consideration of the site specificity and ongoing improvement projects. All environmental performance targets set for 2019 were met.



## Occupational Health and Safety

In line with our “Zero Injuries” goal, we are committed to creating a healthy and safe working environment for our employees and contractors. We put in place programs to identify and assess potential risks and implement suitable preventive measures to foster health and safety in the workplace, including providing training and promoting awareness-raising initiatives. In 2019, we provided a total of 130,343 hours of training. In particular, we have developed an internal training module on machinery safety and engaged a third-party partner to deliver the materials in 29 locations worldwide, with a primary focus in Europe and Latin America. In the next years, we are planning to extend to all sites at Marelli.

During the year, approximately 82% of the employees took part in a medical check-up provided by the Company, including periodical and preventive medical exams. Moreover, numerous initiatives to improve employee wellbeing have been implemented, such as the prevention measures taken at sites in Japan to prevent heat stroke during warmer summer weather. This initiative resulted in a reduction of the number of heat stroke patients from 50 to 11 with respect to 2018.

In 2019, 26 serious lost time injuries and 139 lost time injuries (LTI) were recorded globally for all the Company's workers, including internal and external employees<sup>1</sup>, resulting in a rate of LTI of 1.38.

The rate of total LTI for employees is 1.43, due to 24 serious lost time injuries and 138 lost time injuries recorded during the year, while for agency workers and external contractors the value is 0.45. In accordance to our internal procedures, each of these cases were promptly investigated for root causes and actions to be taken were formulated. The lessons learned from the incidents were shared to all Marelli sites to avoid recurrence. No fatalities were recorded during the reporting year. Five cases of work-related illnesses were reported, mainly related to ergonomic, cumulative trauma or overload and vibration. Specific initiatives were implemented to prevent potential injuries related to ergonomics, including the design of the workstations and defining the production cycles taking into account anthropometric characteristics, the position of the equipment and materials and adequate sources of lighting in compliance with national and international ergonomic principles.

### Health Recognition

In 2019, nine sites across Marelli in Japan were awarded the Certified Health and Productivity Management Organization Recognition from the Ministry of Economy, Trade and Industry of Japan for its efforts in developing a healthy workplace through prevention initiatives related to lifestyle-related diseases, mental health and smoking cessation activities. In particular, the major activities performed were the development of a specified health guide and the promotion of medical check-up for all the employees.



### Italia Loves Sicurezza



12 Marelli Italian sites participated in the annual Italia Loves Sicurezza (Italy Loves safety) initiative, a movement which aims to change the way in which health and safety topics are communicated and perceived. Each site organized and hosted events aimed at transferring the message that “safety isn't only a matter of workplace but it's a value that fills all our lives.” During these events, more than 800 individuals attended including Marelli employees, alongside students and families of the local communities in which each site operates.



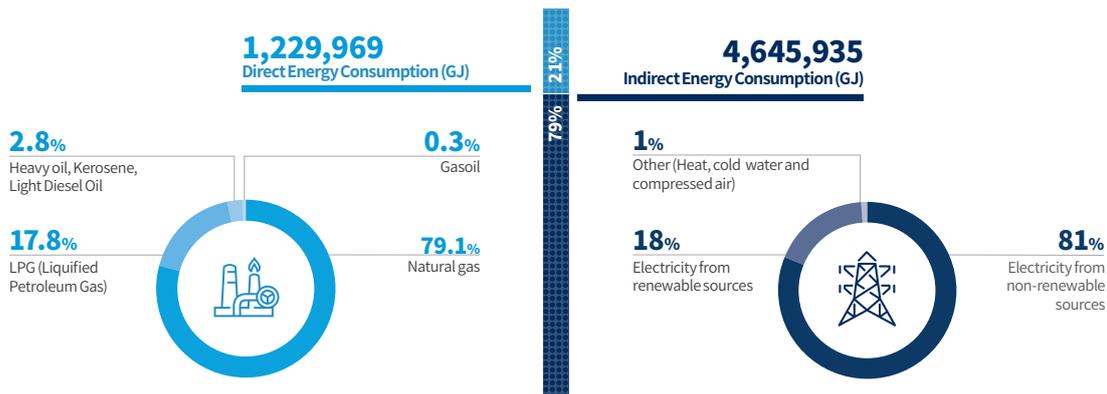
## Towards a Low Carbon Society

As a global automotive supplier, we strive to play a leading role in the transition towards a low-carbon society, both by committing to reducing and improving the efficiency of our direct and indirect energy consumption, and by continuing to develop innovative products that can improve vehicle efficiency, ultimately reducing the overall carbon footprint. In particular, we believe that through our investments in the electrification of vehicles, we have the concrete opportunity to contribute to shape the future of green mobility, which represents the key enabling factor for decarbonisation.

Beyond opportunities related to climate change, we periodically assess the potential risks relevant to our operations and the associated financial implications. The main risks identified in relation to climate change are: i) risks related to the changes in the regulatory framework to which the Company is subject to, potentially entailing costs in the event of failure to comply; and ii) the physical risks posed by intense climatic phenomena such as torrential rain and flooding that can cause the interruption of plant operations or supply (see "Risk Management" section for more information).

In 2019, we implemented many energy efficiency and CO<sub>2</sub> emission reduction initiatives at our sites, including the introduction of high-efficiency and energy-saving equipment such as inverters, as well as improvement activities like streamlining operating lines in the production facility. For example, at our plant in Oppama, Japan, air conditioners powered by heavy oil were replaced with an electric air conditioning equipment, resulting in improved air quality and a lower environmental impact. At the plant in Bari, Italy, we secured a long-term supplier contract for a Combined Cooling Heat and Power (CCHP) trigeneration system, which will provide a significant amount of self-generated electric and thermal energy, enhance the overall efficiency and minimize CO<sub>2</sub> emissions.

In 2019, the total energy consumption was approximately 5,875,905 GJ. Approximately 79% of consumption was indirect (mainly electricity and district heating), and the remaining 21% was direct (mostly natural gas and LPG consumption). During the year, about 14% of the overall energy consumption, approximately 817,085 GJ, was produced through renewable sources. The energy intensity (energy consumption/revenues) is about 3.53 GJ per million Japanese Yen of revenues.



### Plant information

COUNTRY: Italy  
 BUSINESS Line: Electronics Systems  
 PLANT: Corbetta  
 NUMBER OF EMPLOYEES: 994

### Revamping of Lighting System

During the year, more than 30 LED lighting installation projects were implemented in our plants worldwide. At the Corbetta plant, we completed a year-long project revamping the whole plant with LED lighting systems, supported with a smart Building Management System (BMS), resulting in an approximate 50% reduction of total site energy consumption as compared to prior configuration.

### Plant information

COUNTRY: Japan  
 BUSINESS LINE: Interior Experience, HVAC Systems and Thermal Solutions  
 PLANT: Yoshimi  
 NUMBER OF EMPLOYEES: 229

### Energy Saving in Moulding System

Our Yoshimi plant has historically incurred a higher rate of energy loss due to its high-mix, low-volume production process. During the year, the energy and thermal measurements of the injection moulding system (accounting for 37% of total electricity consumption of the plant) were assessed to identify potential sources of energy loss during the operational and non-operational phases. As a result, of the assessment, six energy-saving solutions for the moulding system have been proposed, with an estimated overall energy use reduction of 40%. These energy-saving solutions are also being shared with other production sites for potential replication.

## Environmental Awareness and Impacts Reduction

### Effective Use and Reuse of Resources

We actively set out to reduce the amount of waste produced by our operations as to stay committed to our vision – “Zero Waste to Landfill.” During 2019, we engaged numerous initiatives to strengthen the effective use and reuse of resources companywide, from the plants to the corporate offices across our global footprint.

Our Brotterode site in Germany has worked on the reduction of packaging waste generation, such as paper and cardboard waste, by reusing empty cardboard octabins used for plastic granulate through an external supplier. At our headquarters in Japan, we piloted a shopping bag changing scheme to promote "Zero Plastic Bags." This initiative led to a 50% plastic bags reduction in the first two months, and has since achieved zero use of free plastic bags. Similarly at our Paris office, we promoted the use of biodegradable garbage bags. In addition to raising awareness among all employees on plastic waste reduction, numerous communication campaigns were promoted during the year through internal Company channels such as newsletters and the intranet.

### Water Conservation

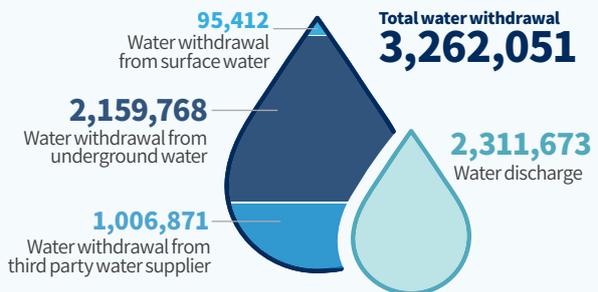
With a global presence in Asia, the Americas, Europe, and Africa, which includes areas experiencing water stress, we have a strong commitment to reducing water consumption and protecting water resources. During 2019, many initiatives were implemented to reduce water withdrawal, including water recycling projects at our plants. As an example of our water recycling projects, we installed a water valve to control the cooling tower system water supply at one of our plants. By stopping the water feeding in when it is above the set threshold, this installation allows us to save approximately 4 Megaliters of water each year.

Water withdrawal in 2019 totaled 3,262,051 m<sup>3</sup>, mainly provided by third-party water utilities (about 66%). In the same period, water discharge amounted to 2,311,673 m<sup>3</sup>.

### Waste generated per disposal method, tonnes



### Water withdrawal and discharge, m<sup>3</sup>



### Countries involved in waste water reduction projects



 Countries in which Marelli has developed water reduction projects

## Pollution and Biodiversity

At Marelli, we are committed to being environmentally responsible in every aspect of our operations, constantly monitoring our performance and ensuring that our day-by-day activities comply with all relevant legal and regulatory requirements in accordance with the most stringent international standards to avoid potential significant impacts on the environment.

We are actively seeking to improve air quality at our plants and in surrounding areas incorporating stricter management than required by the regulations.

Moreover, we are committed to preserving biodiversity and ecosystems, especially in the geographical areas where we operate. During 2019, we participated in numerous reforestation and forest protection initiatives, such as in Thailand, where the reforestation program was organized in partnership with Amata Corporation PCL, Amata City Chonburi Industrial Estate, and CSR Amatanakorn Club, as well as the mangrove regeneration project embarked in the Ranong Province organized by an International NGO, OISCA-International.

PROJECT  
FOCUS

### Plant information

COUNTRY: France  
 BUSINESS LINE: Powertrain  
 PLANT: Argentan  
 NUMBER OF EMPLOYEES: 218

### Reduction of Hazardous Waste Releases & Recycling Industrial Water

In 2019, at the Argentan site, we introduced an evaporator to treat the chemical wastewater generated from the production process. Approximately 90 – 95% of the treated wastewater, originally regarded as hazardous waste, can then be recycled and reused in the production process, reducing water usage and hazardous waste release.



### Forest Protection in Saitama, Japan

In December 2019, under the framework of the “Saitama Prefecture Forestation Agreement” signed between Marelli, Saitama Prefecture and Saitama Agriculture and Forestry Corporation, employees of Marelli carried out tree thinning, pruning and clearing work with the aim to protect and restore the trees in the Saitama Agriculture and Forestry Corporation Forest situated in Yokoze Town, Saitama Prefecture, Japan. This meaningful activity will be extended to more employees in the coming years as part of our continuous efforts to protect biodiversity.



## Excellence in *Monozukuri*

### About “*Monozukuri*”

“*Monozukuri*” is a Japanese term that refers to the excellence in product, process and quality. To further integrate this ideology in Marelli, we have defined a new Marelli Quality Policy. The policy takes into consideration the best practices of the former entities prior to the merger. Quality is not only a way to make products in compliance with drawings and specifications, but it is also the way of understanding our products and services and looking at them through the eyes of our customers: their satisfaction is our compass.

### Ensuring Product Safety and Quality

The new Marelli Quality Policy is the most important milestone in the integration process and defines a common global approach in Quality Management.

### Marelli Quality Vision

Realize Zero defects to satisfy customers

### Marelli Quality Mission

Provide the world top level quality performance through the most effective and efficient processes

## Quality Mindset

In order to share our Quality Vision with our colleagues working in all regions and plants, we have defined a “Quality Mindset” handbook and distributed to all employees. It is available in 23 languages and in 24 countries to facilitate communication and implementation.



## Integration of “*Monozukuri*”

In 2019, we formed eight quality cross-function teams for each job role and have discussed how to integrate “*Monozukuri*” in the context of business consolidation. We promoted the integration of all operations including the global quality function, quality management process, quality objectives and indicators, plant audit system, and a shipping judgement procedure. As a result of these actions in 2019, we are able to start quality enhancement activities in 2020 by establishing the Marelli Quality Policy and the formulation of the quality function mid-term plan. We are continuously and steadily improving toward our Quality Vision, “Realize Zero defects to satisfy customers.”

## Production Efficiency and Operational Performance

In an effort to move towards our Quality Vision, in 2019, we defined three main *Kaizen* opportunities, related to *Monozukuri*, labor productivity, extra freight and material usage. In particular, several task force teams have been set up to carry out material usage optimization activities at targeted plants.

We implemented changes in site management of Machine, Material, Man and Method (4M), implementation of work observation and technical Fault Tree Analysis (FTA) analysis. The initiatives in the six targeted plants have led to a cost reduction of ¥3.5 billion (€29 million) from 2018 to 2019.

Furthermore, we have evaluated our cost performance using Cost per Hour as the KPI that measures the effect of productivity improvement activities. In 2019, the Cost per Hour has improved by 1.80% compared to 2018, exceeding our target of 1.74%.

We will continue to improve our productivity as we strive to integrate our Quality Vision across all business units.

## Q-Forum

As part of our quality awareness-raising activities, we hold a “Q-Forum” once a year among our employees in Japan. Through exhibits of the prevention of quality defect recurrences, displays of actual defective products, presentation of *Kaizen* examples, and supplier quality seminars, the Q-Forum gives all participants the opportunity to reflect on their own awareness and actions regarding quality and make new discoveries. In this way, the participants can raise their awareness of quality and the quality of their own actions, leading to improvements in quality.

## QC Circle Championship

We conduct “QC Circle” (Quality Control Circle) activities all over the world to promote quality improvement activities on the plant shop floor. Once a year, a QC Circle Championship is held at the headquarters in Saitama, Japan. Through presentations of outcomes of quality improvement activities, we encourage friendly competition among regions to make further improvements to our *Monozukuri* quality.

## Customer Quality Awards



### BRAZIL

- Customer Award** General Motors Supplier Quality Excellence Award
- Company Name** Marelli Cofap do Brasil Ltda
  
- Customer Award** General Motors Supplier Quality Excellence Award
- Company Name** Marelli Sistemas Automotivos Industria e Comercio Brasil Ltda
  
- Customer Award** Caoa Chery Cost Innovation/ Direct Purchasing Excellence
- Company Name** Marelli Sistemas Automotivos Industria e Comercio Brasil Ltda

### SPAIN

- Customer Award** FORD Q1 Award
- Company Name** Marelli Iberica S.A.

### FRANCE

- Customer Award** Renault Quality & Customer satisfaction
- Company Name** Marelli Automotive Lighting France S.A.S.

### POLAND

- Customer Award** Perfect Supplier Poland
- Company Name** Marelli Sosnowiec Poland Sp. z o.o.

### INDIA

- Customer Award** Maruti Suzuki Supplier Overall Performance
- Company Name** Marelli Motherson Automotive Lighting India Pvt. Ltd.
  
- Customer Award** Honda Supplier Best Support in New Launch
- Company Name** Marelli Motherson Automotive Lighting India Pvt. Ltd.
  
- Customer Award** Ford FORD Q1 Award
- Company Name** Marelli Motherson Automotive Lighting India Pvt. Ltd.
  
- Customer Award** Jaguar JLRO Award
- Company Name** Magneti Marelli Talbros Chassis Systems Pvt. Ltd.
  
- Customer Award** Auto Components Award Best Shop Floor System
- Company Name** Magneti Marelli UM Electronic Systems Pvt. Ltd. - Gurgaon Plant

### JAPAN

- Customer Award** Mazda A for effort -Zero defect for 6 consecutive months
- Company Name** Marelli Corporation

### CHINA

- Customer Award** GAC Mitsubishi 2019 GMMC Dantotsu Quality Award
- Company Name** Marelli Automotive Components (Wuxi) Corporation
  
- Customer Award** GAC Honda 2019 Honda Quality Activity Silver Award
- Company Name** Marelli Automotive Lighting (Foshan) Co., Ltd.
  
- Customer Award** GAC-FCA 2019 FCA Quality Activity Award
- Company Name** Marelli Automotive Lighting (Foshan) Co., Ltd.
  
- Customer Award** GAC-FCA 2019 Excellent Quality Performance Award
- Company Name** Marelli Automotive Components (Changsha) Co., Ltd.

### THAILAND

- Customer Award** Nissan RQA Finalist
- Company Name** Marelli (Thailand) Co.,Ltd.
  
- Customer Award** Mazda Top Excellent Award
- Company Name** Marelli (Thailand) Co.,Ltd.
  
- Customer Award** General Motors Supplier Quality Excellence Award
- Company Name** Marelli (Thailand) Co.,Ltd.

### MALAYSIA

- Customer Award** ISUZU Best Delivery Performance
- Company Name** Calsonic Kansei (Malaysia) Sdn. Bhd.
  
- Customer Award** ISUZU Best Supportive Vendor on Cost Reduction
- Company Name** Calsonic Kansei (Malaysia) Sdn. Bhd.

## Advanced Mobility and Innovation



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Detlef Juerss, Executive Vice President, discusses the key environmental trends shaping Marelli's product and innovation strategy and explains why the focus continues to be towards the creation of clean, electric and safe technologies.

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The climate agenda is without doubt one of the biggest drivers of change within our industry. We have seen a major increase in the commitment by governments and our customers towards the creation of more fuel efficient vehicles, both in terms of making traditional powertrain products much more environmentally friendly, as well as significant investments into electrification.

The introduction of initiatives such as US CARB, CAFÉ, Euro 7/VII and China VI, which aim to directly tackle the issue of air pollution, are a clear response to consumers' changing needs. For Marelli, our task is clear – we want to make existing technologies more environmentally efficient and play a leading role in developing advanced technology for the vehicles of tomorrow.

Our Advanced Mobility and Innovation strategy is threefold and based around our goal to help our customers meet the changing needs of their consumers by optimizing efficiency and cost.

Firstly, we are committed to improving the efficiency of internal combustion engines. For many years, we have been at the forefront of driving real change in the efficiency of traditional combustion engines. Our investments have created a leading portfolio of technologies, which continue to have a direct and positive effect on the fuel economy and CO<sub>2</sub> emissions of the internal combustion engine.

Second is our ability to contribute towards reducing fleet CO<sub>2</sub> emissions through electrification. We are a major contributor to e-powertrains and strive to become one of the leading suppliers to all OEM active in electrification. We are not the only ones in the market with strong capabilities, of course, but we have the fastest charging 800-volt technology and our technologies on HVAC and electro-compressors are helping customers improve the overall efficiency of their electric vehicles. This makes it more attractive for consumers, therefore promoting electric mobility as a whole.

The third strand of our strategy comes down to safety and security of the technologies we produce. As you'd expect, product safety is critically important and we continue to see this as a key investment theme for us now and into the future. Our driver assistance systems; distance control system; connectivity system; e-call functionality that calls emergency services for help in case of accident are all innovations that are critically

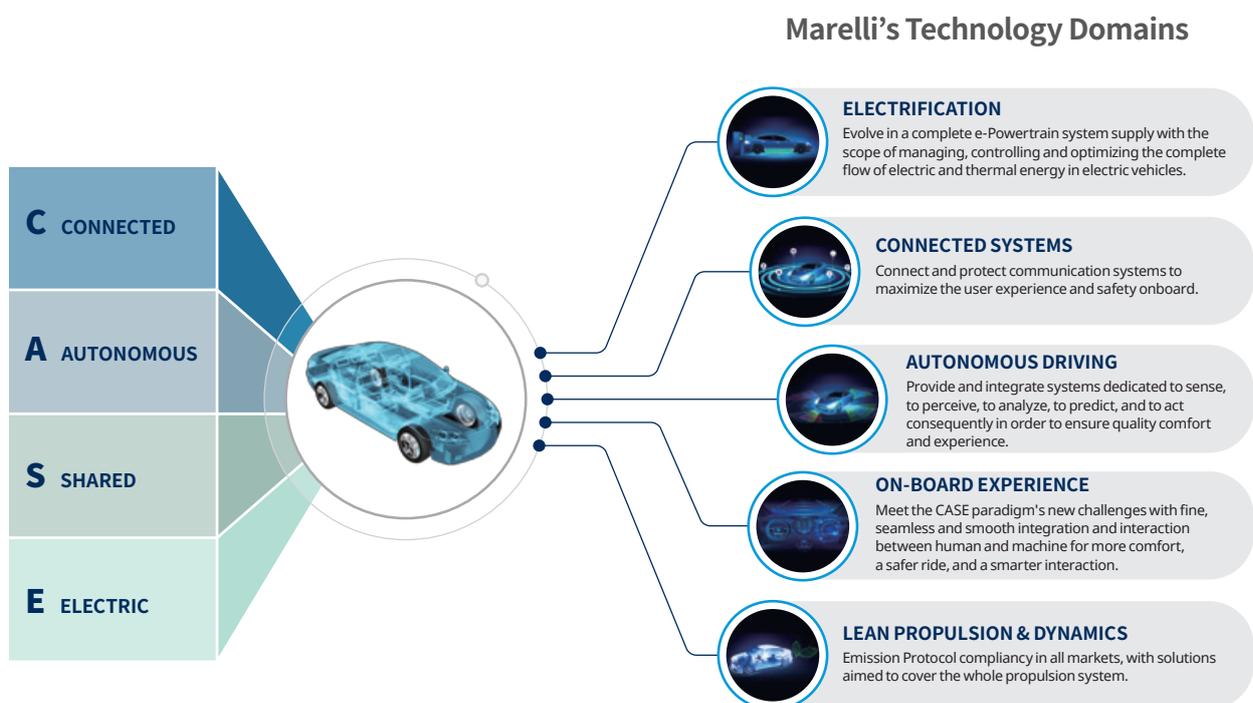
important in helping to keep people safe while driving. Cars are becoming more autonomous, and with this is an increasing need to consider the cybersecurity risk element of this. We are the forefront of creating new technologies that protect drivers not only with hard, but also with software as well.

Within this section of our report, we aim to give you a more in-depth overview of the products and innovations under way within Marelli that are helping to shape the market and meet the needs of our customers. There is much we can achieve and I look forward to updating you again on our progress.

**Detlef Juerss**  
 Executive Vice President  
 Chief Commercial, Engineering and Technology Officer

## Our Five Technology Domains

Marelli, along with the rest of our industry, is adapting to the changing needs of customers and societies by combining our proven strengths of the past with our willingness to shape the future through investment in CASE: Connected, Autonomous, Shared, Electric. Marelli has defined five primary technological domains, which set the direction of technology to be developed. We believe that these five domains will be key for future sustainable mobility and society:

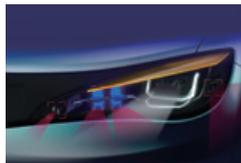


# Marelli Technologies for Sustainability

Below is a selection of technologies which contribute to a more sustainable world making cars safer, more comfortable, more connected, and more environmentally friendly.

## 1. ADAS/Autonomous Driving Sensors and LiDAR integration

ADAS (advanced driving assistance systems) is disrupting the role of lighting systems within the vehicle. Marelli Automotive Lighting integrates multi-beam LiDAR modules to create a new portfolio of LiDAR sensors, supporting short, mid and long-range measurements. Our optical, electronics and software capabilities offers state-of-the-art LiDAR sensors in standalone form or aggregated into sensor clusters. A great example is our Smart Corner™, a modular platform that integrates all required sensors for autonomous driving into vehicle headlamps and tail lamps.



## 2. Digital Light

Digital Light high-resolution headlamp technology makes light distribution more flexible and precise than ever before. The Digital Light module is based on a matrix of 1.3 million micro-mirror elements on a surface illuminated by three high current LED chips; each mirror generating a pixel of the projected image and can turn on, off or dim the pixel by its flip-over movement. The Digital Light module delivers flawless lighting that can project images onto the road to communicate driving and safety messages to other drivers and pedestrians outside the vehicle.



## 3. Human-Max Cabin

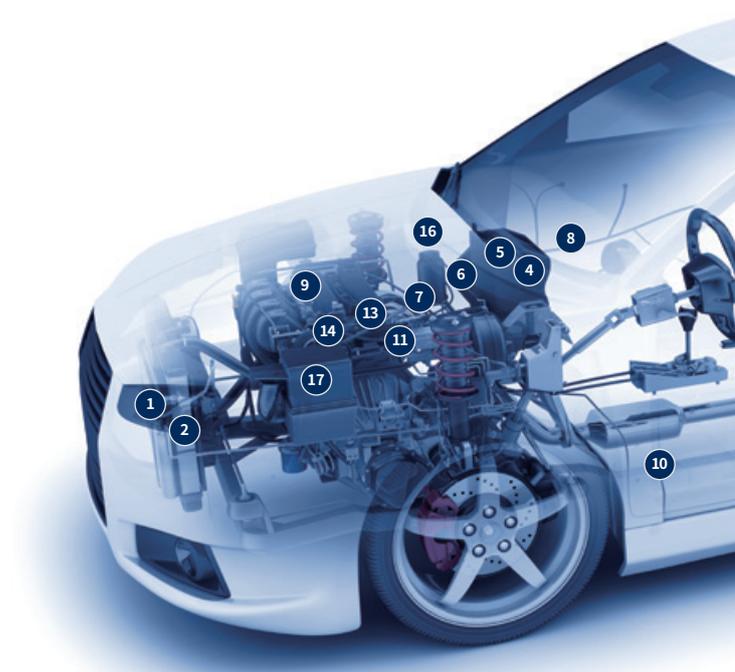
The evolution of CASE and increasing need for greater efficiency are met with fine, seamless and smooth integration and interaction between human and machine for greater comfort, a safer ride, and a smarter interaction.



The Human-Max Cabin represents Marelli's vision of the answer to this new challenge and brings together its 100 years of experience in interior fittings, electronics, and HVAC systems to create customizable, integrated, and efficient solutions aimed at providing the best enhanced experience for cabin occupants.

## 4. Domain Controller Unit (DCU)

The single DCU (Domain Control Unit) with multiple OS (Operating System) and Hypervisor technology runs different guest operating systems allowing it to host mission-critical RTOS (Real Time Operating Systems) for the instrument cluster while the infotainment and connected experience is powered by Android.



DCU includes advanced smartphone connectivity and is capable of driving multiple displays with a single consolidated Electronic Control Unit (ECU).

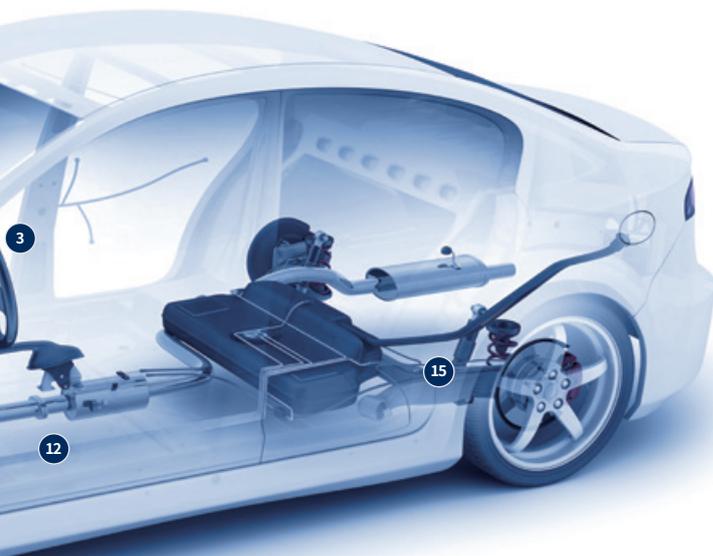
The DCU manages Infotainment/Multimedia and Cluster features and allows different domains, traditionally controlled by specific ECUs, to be merged together inside a single system, maintaining the same level of reliability and quality of performance. DCU results in a more cost-effective solution with reduced complexity of architecture.

### 5. 3D auto-stereoscopic Display

Marelli's Glasses-Free 3D Display Technology incorporates a lenticular lens laminated on top of a standard display. The result is extremely thin and is up to 50% cheaper than competing solutions which use multiple displays to achieve a 3D effect, while Marelli's solution and doesn't have the drawbacks of power consumption and size.

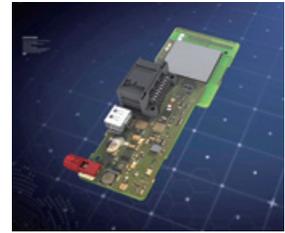


The benefits of 3D extend beyond the driver. As ADAS and autonomous driving development progresses, and the trend towards large immersive display integration continues, 3D technology can be used to entertain and inform passengers during transit.



### 6. Telematics Control Units

Marelli has created a device which, in the event of an accident, allows for a manual or automatic assistance request call to local emergency services. Other applications for this tool include insurance services area ("black box"), fleet management, tracking, car-pooling, tele-diagnostics (the remote monitoring of vehicle operation that allows a central infrastructure to identify possible breakdowns or faults). It can also provide the driver with information on car parks, limited traffic areas, nearest gas or charging stations, and traffic and road conditions.



### 7. Affordable Cabin Heater

The cruising range of Electric and Hybrid vehicles can be optimized through the use of high-efficiency cabin heaters. Marelli has developed a new type of compact, lightweight air conditioner heater (hot water heater) that uses high power sheathed heaters cast in aluminum with fins. As a result, the volume of the heat exchanger can be reduced one-third compared to traditional solutions. The smaller than standard design also offers much more flexibility to our customers.



### 8. Cybersecurity

Cybersecurity is increasingly important within the automotive industry. Marelli was one of the first companies to create robust and specific solutions aimed at securing the vehicle from cyberattacks.



Our complete portfolio of electronic solutions come equipped or capable of hosting cybersecurity contents. It tests in line with market demands, always deploying new cybersecurity technologies in-line with future automotive requirements.

As pioneers of these new applications, Marelli also provides strategic consultancy and support to customers for the introduction and integration of cybersecurity contents in their vehicle architectures.

### 9. High Efficiency Rotary Compressor

Marelli has developed a high efficiency rotary compressor (CR8) that guarantees an internal pressure drop measured as 52% lower than the previous models. This generates a gain on the overall performance, and an EPA (US Environmental Protection Agency) certified decrease in CO<sub>2</sub> emissions. The EPA approved Marelli's application for AC credits for 1.1g/mile of the vehicles thanks to its impact on vehicle fuel consumption.



### 10. Thermo Electric Generator (TEG)

Marelli Thermo-Electric Generator is an innovation that recovers heat energy from the exhaust on both ICE (Internal Combustion Engines) and Hybrid vehicles by converting thermal energy into electrical energy. The electrical energy recovered is conveyed through a DC/DC converter both to the low voltage (12V-48V) system to power auxiliaries or to the traction battery, helping to increase the range and reducing the fuel consumption and CO<sub>2</sub> emissions by 4%.



### 11. Burner-type Active Catalyst Heating System

For the Euro 7 requirements, Marelli introduces an innovative device for a faster warm up of catalyst systems, being it mandatory especially for high power engines (6 and 8 cylinder), diesel vehicles (LCV and Truck), architecture with cylinder deactivation and Plug-in Hybrid, in order to achieve the catalyst efficiency in demanding operative condition.



This application decreases catalyst light off delay time thanks to its integration upstream the catalyst, that requires temperature rising and the innovative architecture that includes heatshield, injector, one-way air valve and spark plug integration.

### 12. Vehicle Dynamic Control Modules

Increasing regulations, hybridization, ADAS and safety requirements need more and more ECUs, with greater communication bandwidth and processing power, so increasing drastically the complexity of the vehicle architecture.



Marelli has a range of powertrain and vehicle Domain Controllers capable of managing new architectures such as HEVs (hybrid electric vehicles) and BEVs (battery electric vehicles).

Vehicle Dynamic controllers are technology enablers that enable fuel economy, electric range increase and enhanced performance for comfort and safety thanks to the coordination of powertrain and chassis functions (e.g. electric and internal combustion engine torque split, torque vectoring, active suspensions, etc.). Marelli controllers are scalable for integrating eventual other vehicle domains.

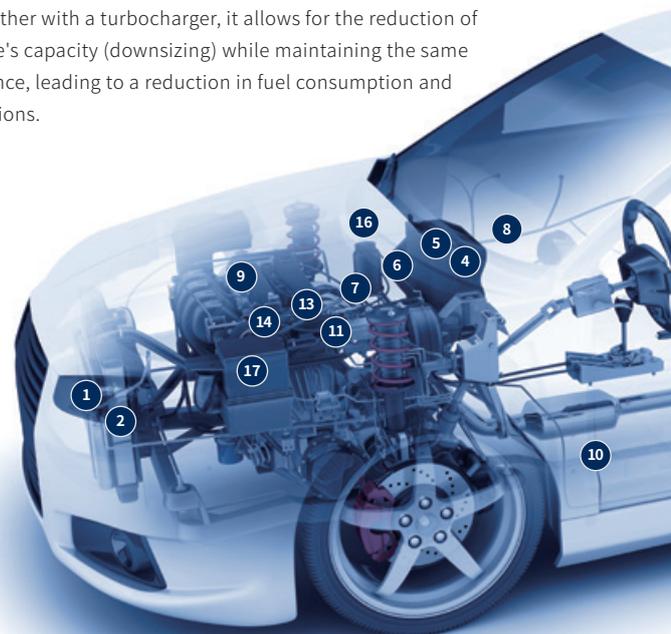
### 13. Ultra-High Pressure Fuel System

Our approach to improving the environmental performance of vehicles equipped with internal combustion engines is industry-leading. Our gasoline direct injection (GDI) technology for the entire powertrain system improves traditional and hybrid vehicles, helping customers comply with changing emission regulations.



Marelli's first-in-the-market 700 bar GDI Complete Wet System (capable of operating up to 1000 bar) is able to manage advanced combustions by working with a very high injection pressure and providing an elevated number of split injections with minimized dwell times.

Used together with a turbocharger, it allows for the reduction of the engine's capacity (downsizing) while maintaining the same performance, leading to a reduction in fuel consumption and CO<sub>2</sub> emissions.



**14. Water Injection System**

Marelli's Water Injection System (control units, rails, injectors, heaters, water quality sensor, water pump and tank) for petrol turbo-compressor engines injects water into the combustion chamber through an additional injector per cylinder. The optimization of the operating conditions inside the combustion chamber guarantees improved performance and efficiency, leading to reductions of CO<sub>2</sub> emissions.



**15. Lightweight Solutions**

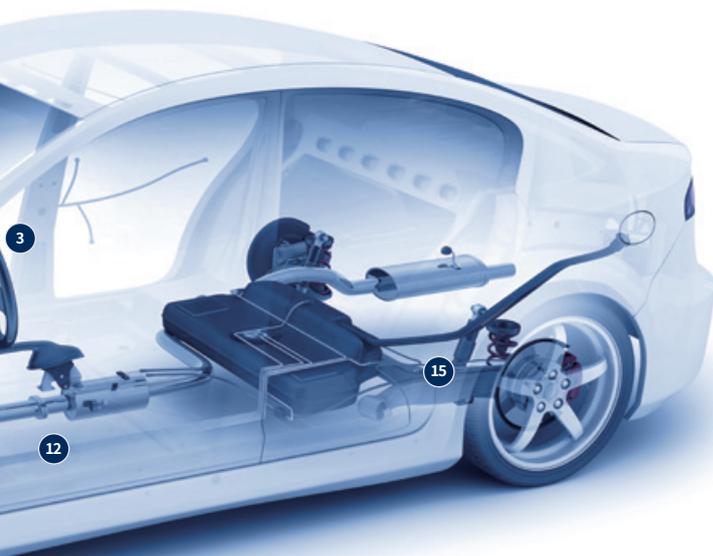
Marelli's advanced application activities evaluate the use of composite materials on structural suspension parts to obtain weight reduction. This allows an acceptable reduction of CO<sub>2</sub> emissions with sustainable cost while respecting the future homologation limits for ICE vehicles, as well as a longer duration of the battery charge for electric vehicles (EVs).



Thanks to sheet molding compression, suspension parts are lighter, even with additional Aluminum inserts for reinforcement. Structural validation and road tests have been fulfilled to grant stability, performance and safety on-board.

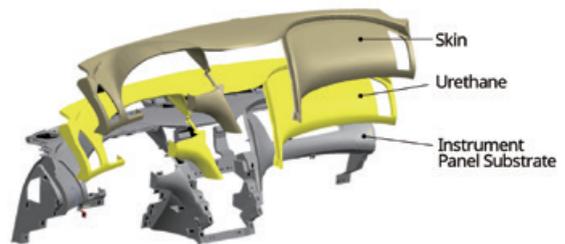
There is a full range of lightweight solutions across all components acting on different materials.

- Aluminum product line: generating 10% to 30% weight savings
- Composite Materials product line with an additional 30% to 40% savings



**16. New Urethane with Low Odor and Low VOC (Volatile Organic Compound)**

Marelli developed urethane for instrument panel which achieves low odor and low VOC by optimizing material formulation and refining during material production. The main contributor of odor in urethane, Triethylamine, was removed and a formulation change resulted in the amount of Formaldehyde and Acetaldehyde to become close to zero after forming. Launched initially in the Chinese market, it was introduced to the North American and Japanese markets subsequently.



**17. e-Powertrain Systems**



Marelli develops and produces complete electric powertrain systems from 48V up to 800V which are able to generate, manage, control and optimize the complete flow of energy in electric powertrain architectures, for a total energy management system of the vehicle.

Leveraging the technology transfer from race to road (F1, Formula E), and a proven track record in mass production components, the production focuses on leading edge technologies such as Permanent Magnets Synchronous motors with Hairpin Stator, state-of-the-art Power Electronics and the most advanced software and controls algorithms. This delivers maximum power density and efficiency with benefits to overall vehicle electrical range and performance.

# Motorsport and Innovation: a Laboratory for the Future of Mobility

Marelli Motorsport offers a range of first-class technologies to the most important two- and four-wheel championships in the world. All of the major motorsport championships today aim for a more sustainable technical configuration. The investments by motorsport in more sustainable technologies are driving real change in the mass market, with many technologies that began on the racetrack shaping broader vehicle design and production.

## Injection systems

Marelli's GDI injectors guarantee the highest degree of accuracy and repeatability in the quantity, direction and location of injected fuel, from one combustion to the next. Such precision translates into efficient power for a race engine and accurate emissions control and fuel consumption in a road car.



Marelli is an active partner to F1 Power Unit ("engine") manufacturers, providing them with a flexible but rapid service that contributes to the fast development of increasingly efficient powertrains.

## First Hybrid Formula Car After Formula 1

In the first hybrid-powered single seater event outside of Formula 1, Marelli re-purposed a series production starter-generator into an energy recovery system (ERS) for Formula 4 cars in the first edition of the FIA World Motorsport Games.



A shining example of how the sustainability agenda can be showcased in high-profile events and bring attention to the opportunities for increasing efficiency everywhere.

## INPROVES Electric Motor Project

INPROVES is a regionally-funded initiative focused on developing the know-how of Automotive Suppliers in the field of vehicle electrification. Marelli participates within a consortium which includes Brembo, Politecnico di Milano, the University of Bergamo and other SMEs. Marelli's project focusses on the use of advanced techniques in electric motor construction including the use of additive manufacturing processes, new materials and lightweight magnetic circuit design.

## High Voltage DC-DC Converter

Marelli pushes its technology to the limits of endurance with a power converter racing to victory in the world's most famous race, the 24h of le Mans.



The dc-dc converter generates low voltage (12V and 48V) power for the car's electrical systems from the high voltage hybrid power battery (900V). The converter is designed with high voltage SiC (Silicon Carbide) transistors whose high switching speed achieves 2kW power from a device weighing only 1.6kg. From a sustainability point of view, it guarantees high efficiency and lower mass and is used in hybrid vehicles.

## Telemetry system for Top Motorsport Championships

Motorsport continues to provide its successful telemetry system to some of the most important Championships such as Formula 1, Formula



E and World Endurance Championship, turning the race track into a microcosm of the "connected city," where new technologies and services can be proven. The high bandwidth two-way link carries on-board video streams, seamless "always on" driver voice radio and all the data that the teams and the race organizers need to monitor the cars in real time, allowing them to race competitively but safely.

## High-voltage Inverters for Motorsport Applications : EDI (Electronic Double Inverter)

The EDI is a high-voltage inverter design based on high-efficiency Silicon Carbide (SiC) technology. It is capable of controlling a dual energy-recovery system (ERS) in which waste heat from the exhaust (ERS-H) is converted to electric power via the turbo (ERS-H) and then used to boost the kinetic power at the engine crankshaft (ERS-K). An extremely small form factor allows the two electronic power devices to be tightly integrated so as to share the same cooling system and packaging, making for an ultra-light, ultra-efficient unit. The same product can be configured to power a 350 kW 6-phase EV traction motor.



## TFP pump

Marelli's F1 electric fuel pump has an integrated brushless motor controller based on high-efficiency GaN transistors. The high efficiency drive means less energy wasted as heat and the brushless motor results in an extended operating life, compared to brushed motors, even in the presence of aggressive fuel components.

Precise speed control, assured by a state-of-the-art motion controller (DSP), helps to dynamically match pump delivery to fuel demand, another factor in overall efficiency, while the computational power allows the unit to control lighter high-speed motors.



### Powering Progress Together

Marelli is promoting open innovation to efficiently develop technologies in our five technological domains (Electrification, Connected System, Autonomous Driving, On-board Experience, Lean Propulsion & Dynamics). We are looking for partners who have high technological capabilities at the global scale. Our strength is the global network we have established, and we effectively use this network for technology scouting activities.

#### New Partnerships in 2019

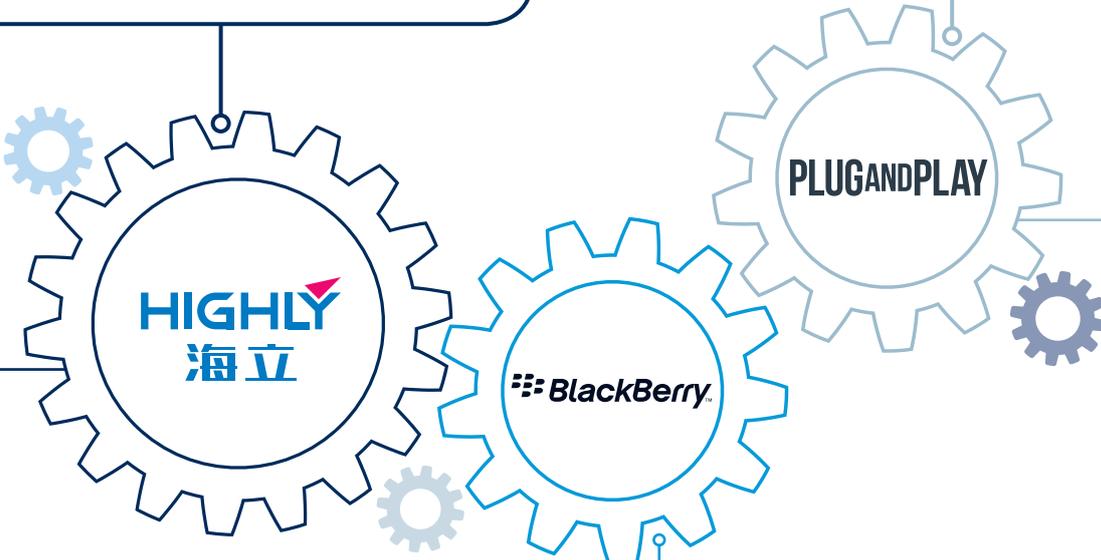
##### Shanghai Highly New Energy Technology

In 2019, Marelli formed a partnership with China-based Shanghai Highly New Energy Technology, a growing manufacturer of Electric Driven Compressors (EDC) for passenger and commercial vehicles. The collaboration will enable Marelli to strengthen its own business with EDCs, which are an essential for electric vehicle thermal solutions and form a key part of our future growth strategy. The partnership also provides Marelli with greater access to the Chinese market and helps to position Marelli as a globally diversified tier one supplier.

##### Plug and Play, LLC

Marelli formed a partnership in mobility with Plug and Play, LLC, a global innovation platform that brings together the best startups with the world's largest corporations. Through this partnership, Marelli will strengthen its connections with selected startups, enabling the Company to accelerate its innovation capabilities for future mobility technologies and solutions.

Plug and Play, based in Silicon Valley, has over 25 locations worldwide. The company runs "Accelerator Programs" which is a limited-time program for major companies to collaborate and invest in startups as part of open innovation. Through this program, Marelli hopes to strengthen its connection with cutting-edge startups, to enhance the creation of innovative technologies.



##### BlackBerry

BlackBerry Limited and Marelli have formed a strategic collaboration to integrate QNX® Platform for Digital Cockpits in Marelli's eCockpit and Digital Cluster solution. By leveraging the QNX Platform for Digital Cockpits, Marelli's sophisticated eCockpit and Digital Cluster solution enables automakers to deliver an in-vehicle experience that mirrors the personalized and seamless connected experience that customers have in their home or office, while ensuring that critical systems are safe, secure and reliable. This partnership aligns with Marelli's strategies and will allow us to develop next-generation, safe and reliable technology for our customers.

# Responsible Corporate Citizen



Being accountable and responsible to our actions is the basis of how Marelli runs its business. We strive to uphold our values and raise the bar of our standards through a focus on the creation of long-term value for all of our stakeholders, from our employees to communities at large.

As a global Company with a multinational workforce and operational presence, we are committed to providing a workplace and culture for people that supports diversity, inclusion and sustainability. We strive to create an environment where people can thrive, as this will be the key to attract and retain a more diverse and multi-generational workforce and to share talent effectively across our integrated business to form one Marelli.

The management of the relationships with our suppliers is a strategic factor for our business operations. The sustainable supply chain management process promotes the long-standing partnership and trust with our suppliers. In the meantime, we recognize the change in lifestyles and consumer choices that can lead them to make more sustainable decisions. We therefore actively consider to partner with suppliers who promote efficient use of natural resources throughout the lifecycle of products and services.



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## Volker Krebs

Executive Vice President  
Chief Transformation Officer (CTO)

" Our transformation program is creating a more sustainable Company through best-in-class processing, efficiency and clearer alignment to our customer needs. We have a responsibility to build a Company that takes seriously its role as a good corporate citizen. That means building a strong and sustainable Company, set up for long-term success and able give back to our stakeholders."

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## Responsible Business Management

### Governance Structure

Strong, central governance is a key factor in ensuring that Marelli is set up for future success. Since the integration of Marelli in May 2019, the Board of Directors has been positioned as the Marelli's highest decision-making body. It consists of the directors from Kohlberg Kravis Roberts (KKR), the controlling shareholder of Marelli, and the directors who concurrently serve as executive officers in Marelli. From September 2019, the unified Delegation of Authorities (DOA) has been launched, aiming to enhance the visibility and efficiency of the Company's decision-making process.

### Risk Management

We are in the first stage of our business continuity plan process, which consists of loss prevention and business impact analysis to prevent and mitigate the impact of any adverse events related to climate change. In particular, standards developed by the National Fire Protection Association (NFPA) will be applied to our worldwide locations and will strengthen our risk management approach.

As part of the integration process in 2019, Marelli started developing a Risk Management System, with the aim of defining clear roles and responsibilities at all levels of the organization. This structured system will allow for a comprehensive analysis of potential risks such as external, strategic, financial and operational risks including property conservation and business continuity. Our goal moving forward is to create a unified Enterprise Risk Management (ERM) platform that provides an integrated model, criteria and methodology for Marelli to evaluate both social and environmental and translating the results into meaningful sustainability activities.

### Marelli Code of Conduct

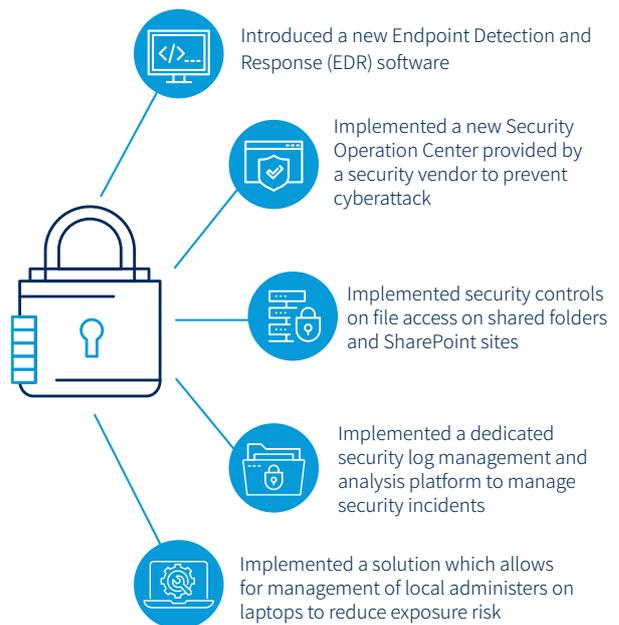
One of the very first projects launched after the integration in 2019 was to formulate [Marelli's Code of Conduct](#), which represents our core values: Innovation, Diversity, Collaboration, Sustainability and Excellence (Monozukuri). The Code of Conduct, available in 19 languages, reflects who we are as a Company, and was established to be consistent with the Universal Declaration of Human Rights (UDHR) and the International Labor Organization (ILO). Moreover, we have set an [Integrity Hotline](#), which allows employees and third parties to report possible violations of the Code, Company policies or procedures, or laws and regulations; the channel is available 24/7 and in all local languages. This system fosters a culture of integrity and ethical decision-making, in alignment with our Company values.

### Respecting of Human Rights

As outlined in Marelli's Code of Conduct, our aim is to have a positive impact on our communities and broader society. We do not tolerate activities that lead to corruption or have any other adverse effects. To prevent the payment of bribes to foreign public employees, which is the first of the two main provisions of the United States Foreign Corrupt Practices Act (FCPA), we conducted third-party Due Diligence surveys in a systematic manner for 64 companies in Japan, 16 companies in Thailand and 16 companies in Mexico in FY2017; 26 companies in China in FY2018; and 22 companies in U.S.A. and nine companies in EU in FY2019.

### Information Security and Protection of Data Privacy

As part of ongoing integration, we have implemented a common information security and data policy, which now operates across the Company. A new information security function, managed by the Marelli Chief Information Security Officer (CISO) within the Information and Communication Technology (ICT) department, was formed. The newly structured function allows for a more integrated security team. A few of the information security and data privacy related initiatives are outlined below:



During 2019, there were two reports of substantiated complaints received concerning breaches of customer privacy. To further reduce such cases, an average of 2.75 hours of information security training has been provided to Marelli employees. Examples of related initiatives include security lectures, cyber-attack response trainings for plant manufacturing and raising overall security awareness via the intranet portal.

## Employer of Choice

Our people are integral to the Company's success. Operating in dynamic and highly competitive industries, our Company succeeds through the talent and passion of skilled individuals. For this reason, we strive to create a working environment where our employees can grow, both professionally and personally, in an inclusive environment that is free from any form of discrimination and is open to diversity. Our ideal is for every individual to feel valued and free to express their full potential. Keeping our team members engaged in Company projects is the best way to reach all targets together.

### Our Goal

- Create an agile environment that embraces change and fosters innovation
- Ensure a high performing organization where team members with diverse backgrounds can turn their full potential to outstanding performances
- Cultivate an inclusive culture that values teamwork, collaboration and transparency
- Foster a world-class customer experience and a sense of social responsibility to build sustainable success in our team members and business

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## Giovanni Quaglia

Executive Vice President  
Chief Human Resources Officer

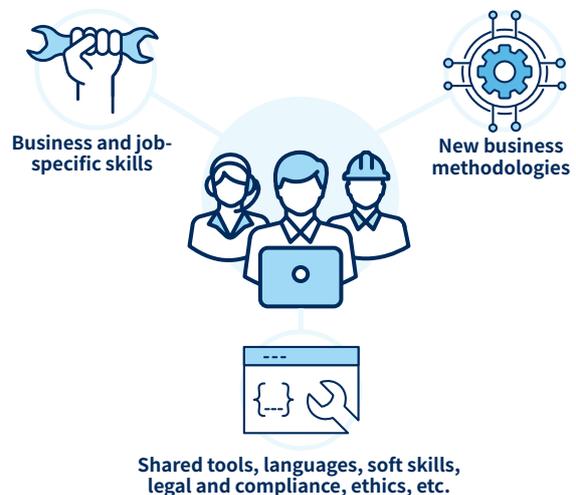
" Our goal is to create a Company and culture that our employees can be proud of. We do this by communicating, listening, asking for feedback and implementing new initiatives and processes that allow people to feel empowered and enthusiastic about working with us every day. "

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## Employee Training and Development

We strongly believe business growth is made possible through personal growth, which is why we invest in the development of our employees, creating a virtuous circle. Employee training is a key component to skills management and development and sharing operational and business know-how, and to the Company's strategy and values. A comprehensive training program helps employees foster awareness of corporate social responsibility, encourages a collaborative mindset and paves the way to professional success. Marelli applies a Training Management Model to enable a more effective and flexible response to evolving training needs arising from changes within the Company and in the economic environment.

The Training Management Model is business-oriented and therefore closely involves business functions in areas such as:



Marelli manages training through a four-step process: training needs identification, content development, program delivery and reporting. The ownership of each lies with different business unit/function/region depending on the areas of content or expertise which need to be improved.

The Corporate & Managerial Training Centre of Expertise (COE) within the HR Function facilitates the overall training process by providing support to other functions and across business units and guarantees governance and coordination on global initiatives. The COE team centrally monitors the number of participants involved in training initiatives, hours of training, and direct cost of training. Each business unit/function/region HR team is responsible for supporting and monitoring training initiatives. This process ensures that training delivered in Marelli does not follow a one-size-fits-all approach, but instead favors a tailor-made experience, shaped on the actual and specific needs of the different regions.

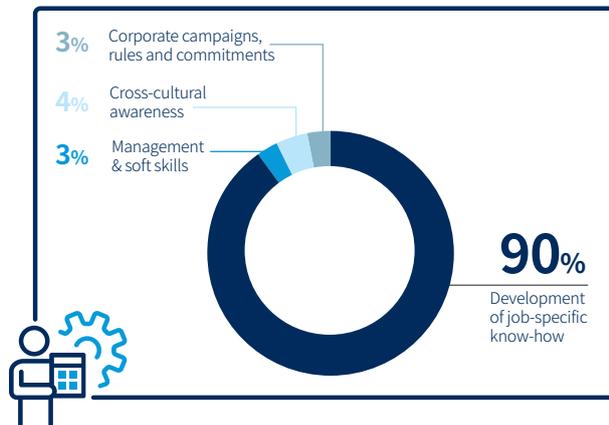
In 2019, Marelli offered a number of development opportunities including training, coaching, mentoring and job rotations. In particular, Function Academies (Manufacturing, Purchasing, Project Management and Quality) played a key role in our employees' continuous development. These are focused on delivering tailored training (technical and managerial) to enhance individual skills and attitudes and to promote certification paths

(e.g. Six Sigma, PMP – Project Management Professional, APICS, etc.) that allow people to obtain recognized titles that enrich their curriculum and increase the Company's competitiveness.

In addition to external training courses such as the Function Academies, we focused on the creation of internal trainers. This type of training has the advantage of maintaining the high value of internal know-how and managing specific training courses independently. Therefore, we created the "Trainer Factory" to certify and support internal trainers in the development and delivery of training modules. The certification process includes classroom training on student management, training materials preparation and development of presentation skills.



Investments in classroom, online and on-the-job training focused primarily on the Marelli four core training concepts:



### Employee Benefits and Retention Initiatives

Benefits provide employees with a value that goes beyond their salary incentives and can make up a meaningful part of the total remuneration package. For this reason, Marelli offers a competitive range of benefits, normally available to all full-time employees and, in many countries, also to part-time or temporary employees. Benefits differ according to an individual's level and country of employment and depend on local policy.



#### — Welfare Programs and Flexible Benefits —



### Work-Life Balance

Marelli offers substantive programs and tools to help employees balance their personal and professional lives. Depending on the employee location and local requirements, the Company provides guidelines, processes, technology enablers, tools and collaborative workspaces to address the expectations of an evolving labor market. Operational needs and the business climate and compatibility of job assignments are considered, as employees and managers explore options that enable positive work-life integration. Based on the role, Marelli offers arrangements and initiatives to improve work-life balance including flex time, job sharing, part time or reduced hours, telecommuting, compressed workweek/summer hours, parental leave and other leaves.



Marelli supports equitable choices for maternity, paternity and adoption benefits, which encourages employees to balance parental responsibilities with their careers. While labor law requirements may vary from country to country, parental leaves are provided to all employees to the extent required to comply with local regulations. Return-to-work and retention rates following parental leave are two key indicators of the mid-and long-term capability of Marelli to provide employees with career growth opportunities and achieve balance between their private and work lives.

## Employee Well-being

Special attention is given to the health and physical wellness of our employees. Some of our most successful initiatives include:



Automotive Lighting's Wellness programs;



Poland's seasonal Vaccination and Health Promotion Week;



Czech Republic's participation in "To Work on Bike" (an event which supports both the environment and people's wellbeing) and implementation of a "Massage Program" for the employees;



Japan's Mental Health programs to teach employees how to cope with stressful work environments and how to manage teams in a healthy way;



Germany's flexible/remote working;



Brazil's "Viva+" program consisting of different campaigns to encourage a healthy mindset.

## Employee Engagement Initiatives

In 2019, even greater importance was placed on open employee communication, as we believe it is key to a successful integration between the two former companies into one Marelli. This requires openness, transparency and leadership-led communication to ensure our employees feel part of the journey.

Throughout the year, we held town hall meetings to share the Company's new strategy and direction and followed up with anonymous surveys for employees to provide insights on the matters discussed. The surveys were a useful tool in identifying improvement opportunities that meet the needs and expectations of the entire organization.

We also launched a series of engagement campaigns focused on the merger. The most extensive program, involving employees worldwide, was "Road to Day 1": an initiative which outlined the main information and characteristics of each merging company and engaged employees in the newly combined entity.

In July 2019, we launched a Co-Creation Team to build on the strong heritage of the two companies to create one team, one culture across the globe. The Co-Creation Team held various workshops to engage all employees to discuss "what is Marelli's culture?" and what activities could help foster the culture. The results of these workshops will be key in implementing concrete plans and actions in 2020.

## Diversity Promotion Initiatives/ Non-discrimination Initiatives

Marelli is committed to providing a productive workplace for its entire workforce that is free of discrimination and harassment. As outlined in the Code of Conduct, we do not tolerate any activity that creates an intimidating, discriminatory demeaning, or offensive working environment. As a global Company, our members come from a variety of different backgrounds. We celebrate this diverse workforce and make sure that everyone has an equal opportunity to succeed.

Furthermore, the Italian collective labor agreement provides for the establishment of a joint committee addressing equal opportunities, aimed at promoting equal job opportunities for employees, in terms of conditions of employment and professional training, avoiding any form of discrimination. During 2019, we offered training on non-discrimination and harassment prevention to employees. This course examined the behavioral principles for treating colleagues, customers, vendors and visitors with respect and professionalism, and aims to avoid behaviors that may be considered discrimination or harassment.

Other campaigns and trainings were country-specific, such as Poland's internal communication campaign to prevent discrimination and India's numerous initiatives and trainings.

To invest in a more sustainable and diverse workforce, Marelli strives to empower women in the workplace and to increase development and promotion of women to leadership positions within the Company. Top management is working on a plan dedicated to shifting the mindset and approach in this area, at the global and local levels. Their goal is to promote a more inclusive environment and to encourage exposure and promotion of the talented women and diverse workforce at every level of the organization.



**25%**

of total workforce were women



**33%**

of new hires were women

## Supply Chain

Marelli strives to maintain a best-in-class supplier base and implement processes and products to preserve and protect the environment.

We adopt a strategic approach to the management of our entire supply chain, from small local companies to large multinational organizations, establishing relationships that go beyond commercial transactions, and fostering long-lasting and mutually satisfying collaborations with qualified partners that share our principles. The first Marelli Global Supplier Convention was held in October 2019 in Shanghai to highlight the importance of our suppliers in making the integration transformation a successful journey. We received positive responses from our suppliers, and we intend to continue working closely to contribute to the growth of Marelli together.

### Local procurement per geographical area



### Sustainability in Supply Chain Management and Integration

We consider collaboration across our supply chain an integral part of our success. We strive to encourage sustainable practices among our business partners by operating as an integrated team.

In 2019, all our new suppliers have agreed to the internal sustainability related guidelines. As for our existing suppliers, we are working towards a 95% target, and have achieved a 94% agreement rate.

More than 1,250 active direct material suppliers were assessed through the Supplier Sustainability Self-Assessment Questionnaire in 2019. This questionnaire identifies potential negative impacts in the following areas: ethics and compliance, human rights, health and safety, and environment and energy.

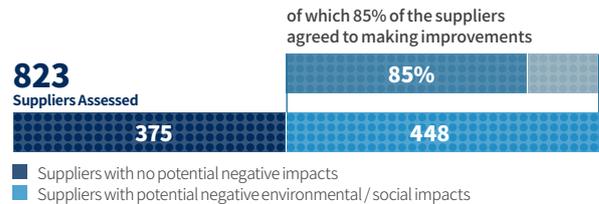
### Andy Koehler

Executive Vice President  
Chief Purchasing Officer (CPO)

" We are committed to implementing sustainable procurement and promoting ethical behavior with our business partners to create a better society and to protect the environment."

We have received responses from 823 suppliers, of which approximately 45% have reported no potential negative social/environmental impacts. Among the suppliers identified with potential negative impact on sustainability, 85% of those have agreed on an improvement action plan with regular monitoring.

2019 Supplier Assessment Results:



The results of this assessment are available into the Supplier Panel Management (SPM) Data Base. Suppliers classified as "Critical" are automatically blocked and excluded from any new sourcing. A derogation can be obtained upon evidence of a formal commitment of the supplier on a sustainability improvement plan.

### Marelli Conflict Minerals Policy

Marelli is committed to conscious business practices at every level of its supply chain and reflects this commitment in the Code of Conduct. Conflict minerals are natural resources of tin, tungsten, tantalum and gold (3TG) extracted in specific conflict zones where this activity may be linked to human rights abuses. For this reason, we work to avoid procurement from suppliers that use such minerals from sources that are connected to human rights violations or related to actions that have a negative impact on our society. Once per year, we require our suppliers to disclose the sources of conflict minerals used in their products and to comply with applicable laws. In FY2019, we have required the compilation of the CMRT (Conflict Minerals Reporting Template) to 1,607 suppliers, and received 900 completed reports back.

Building on the results of our 2019 activities, Marelli will continue our engagements with suppliers to monitor performance and raise awareness in order to minimize potential negative impacts and promote positive initiatives throughout our supply chain operations.

## Community Contribution

Marelli is fully committed to active involvement and development with local communities where our employees live and work. In our strategic implementation of social contribution activities, we constantly consider how we can leverage our capabilities and expertise to contribute to the development of both the community and automotive industry.

### JAPAN

#### Donation of Traffic Safety School Backpack Covers

In conjunction with the City of Saitama since 2018, Marelli Japan donated school backpack covers to new first graders at all municipal elementary schools. In 2019, we have provided backpack covers to 11,117 students. As most elementary school students in Japan walk to their school, we believe these reflective backpack covers can help reduce traffic accidents by increasing visibility.



### ITALY

#### Dare to be Different Girls Day

Marelli Motorsport and Dare to be Different, organised the Dare to be Different Girl's Day powered by Marelli. The participants, 50 girls (ages 8 to 13), immersed themselves into the professional environment of motorsport and experienced this diverse industry in an action-packed and playful manner. The goal of the event is to support the mission of the organization to inspire the next generation of young girls to choose technical and non-technical professions in the world of motorsport and other industries that are not considered "typical" for women.



INDIA

Marelli India launched "World on Wheels," a sustainability project in partnership with HP India, which contributed to the provision of a fully technologically-equipped and solar-powered school bus benefiting more than 800 pupils in eight Schools in the Delhi and the National Capital Regions.



More than 1140 students were given scholarships in Delhi, Faridabad, Ghaziabad, Jhansi and Manesar area, including close to 70% of girls.



In 2019, Marelli India supported the reconstruction of two fully equipped classrooms, one hall and an open stage at two schools affected by the 2018 Kerala floods. Furthermore, we have supported more than 500 families affected by the floods in Purnea, by providing food rations and clothing in addition to rebuilding damaged infrastructure.



**BRAZIL**

**Association of Parents and Friends of the Exceptional (APAE) Project (Lavras plant)**

The aim of the project is personal and social development, through the provision of professional learning to students from the Associação de Pais e Amigos de Excepcionais, the largest support network for people with intellectual or multiple disabilities. Currently, the project has 10 apprentices and two mentors.



**UNITED STATES**



Marelli experts from Electronics Business unit visited Westhills Elementary School in Tennessee and engaged with the 4th and 5th graders on the various paths to their future career and how Marelli can be a potential destination. We look forward to seeing them grow in the years to come!

**CHINA**

**“Filling the Books with Life” Book Donation to Village Library**

In July 2019, our Shanghai office donated more than 200 books, including novels and picture books, to Dacheng Village Library.

The purpose of this book donation is to improve the utilization rate of books, so that each book can be used to their full value and not be treated as waste. At the same time, children who live in rural areas also gain an increased access to a variety of interesting books.



# Sustainability Data

## Environmental Data

GRI	KPI	Unit	2019
302-1	<b>ENERGY CONSUMPTION</b>	<b>GJ</b>	<b>5,875,905</b>
	<i>Direct energy consumption</i>	GJ	<b>1,229,969</b>
	– of which natural gas	GJ	972,688
	– of which LPG (Liquefied Petroleum Gas)	GJ	218,996
	– of which gasoil	GJ	3,788
	– of other fuel (heavy oil, kerosene, light diesel oil)	GJ	34,497
	<i>Indirect energy consumption</i>	GJ	<b>4,645,935</b>
	– of which electricity from non-renewable sources	GJ	3,772,719
	– of which electricity from renewable sources	GJ	817,085
	– of which heat (district heating)	GJ	51,951
	– of which cold water	GJ	298
	– of which compressed air	GJ	3,883
	<b>GREENHOUSE GASES (GHG) EMISSIONS</b>	<b>tonnes of CO<sub>2</sub> eq</b>	<b>586,440</b>
305-1	<i>GHG emissions: Scope 1</i>	tonnes of CO <sub>2</sub> eq	<b>71,288</b>
305-2	<i>GHG emissions: Scope 2 (location based)</i>	tonnes of CO <sub>2</sub> eq	<b>515,152</b>
305-7	<b>OTHER SIGNIFICANT AIR EMISSIONS</b>	tonnes	<b>794</b>
	– of which NO <sub>x</sub>	tonnes	146.40
	– of which SO <sub>x</sub>	tonnes	13.50
	<b>WATER WITHDRAWAL AND WATER DISCHARGES</b>		
303-3	<i>Total water withdrawal</i>	m <sup>3</sup>	<b>3,262,051</b>
	– of which surface water	m <sup>3</sup>	95,412
	– of which groundwater	m <sup>3</sup>	1,006,871
	– of which third party water	m <sup>3</sup>	2,159,768
303-4	<i>Total water discharges</i>	m <sup>3</sup>	<b>2,311,673</b>
306-2	<b>WASTE</b>	<b>tonnes</b>	<b>95,960</b>
	– of which sent to recovery (reuse, recycling, energy recovery)	tonnes	90,869
	– of which sent to incineration and landfill	tonnes	2,097
	– of which sent to other disposal method	tonnes	2,994
	<b>MANAGEMENT SYSTEMS</b>		
	Sites with a certified ISO 14001 environmental management system	no. of sites	<b>95</b>
	Sites with a certified ISO 50001 energy management system	no. of sites	<b>24</b>

# Sustainability Data

## Occupational Health & Safety Data

GRI	KPI	Unit	2019	
403-9	<b>EMPLOYEES</b>			
	<b>Number of injuries</b>	no.	<b>746</b>	
	– of which fatal injuries	no.	0	
	– of which high consequences loss time injuries (LTI)	no.	24	
	– of which LTI	no.	138	
	– of which first aid (FA)	no.	584	
	<b>Number of commuting injuries</b>	no.	<b>160</b>	
	<b>Rate of total LTI (included high consequences loss LTI)</b>	(Total LTI/Worked hours) x 1,000,000		<b>1.43</b>
	<b>Worked hours</b>	hours		<b>113,153,641</b>
	<b>WORKERS WHO ARE NOT EMPLOYEES<sup>1</sup></b>			
	<b>Number of injuries</b>	no.		<b>27</b>
	– of which fatal injuries	no.		0
	– of which high consequences loss time injuries (LTI)	no.		2
	– of which LTI	no.		1
	– of which first aid (FA)	no.		24
	<b>Rate of total LTI (included high consequences loss LTI)</b>	(Total LTI/Worked hours) x 1,000,000		<b>0.45</b>
	<b>Worked hours</b>	hours		<b>6,661,687</b>
	<b>TOTAL WORKERS</b>			
	<b>Number of injuries</b>	no.		<b>773</b>
	– of which fatal injuries	no.		0
	– of which high consequences loss time injuries (LTI)	no.		26
	– of which LTI	no.		139
– of which first aid (FA)	no.		608	
<b>Rate of total LTI (included high consequences loss LTI)</b>	(Total LTI/Worked hours) x 1,000,000		<b>1.38</b>	
<b>Worked hours</b>	hours		<b>119,815,328</b>	
403-10	<b>Number of work-related ill health</b>	no.	<b>5</b>	
	<b>Employees who had medical check-up</b>	no.	<b>49,604</b>	
403-1	<b>MANAGEMENT SYSTEMS</b>			
	Sites with a certified OHSAS 18001/ISO 45001 health and safety management system	no. of sites	<b>54</b>	

<sup>1</sup> Workers who are not employees includes both agency workers and external contractors

## Training Data<sup>2</sup>

GRI	KPI	Unit	2019
404-1	<b>TRAINING</b>		
	<b>Total training hours provided to employees</b>	hours	<b>605,813</b>
	– of which voluntary training	hours	428,462
	– of which Health and Safety training	hours	130,343
	– of which training on Manufacturing Management System	hours	46,389
	Hours of training per employee	hours/employee	10.05
	<b>Total training hours provided to female employees</b>	hours	<b>126,281</b>
	<b>Total training hours provided to male employees</b>	hours	<b>479,532</b>
	<b>Total training hours provided to Manager</b>	hours	<b>3,315</b>
	Hours of training per manager	hours/employee	5.98
	<b>Total training hours provided to White Collar</b>	hours	<b>344,524</b>
	Hours of training per White Collar	hours/employee	15.66
	<b>Total training hours provided to Blue Collar</b>	hours	<b>257,974</b>
	Hours of training per Blue Collar	hours/employee	6.84
404-3	<b>Number of employees receiving regular performance and career development reviews</b>	no. head count	<b>26,858</b>
	– of which Manager	no. head count	505
		%	91
	– of which White Collar	no. head count	18,767
		%	85
	– of which Blue Collar	no. head count	7,856
		%	20

## Human Resources Data<sup>3</sup>

GRI	KPI	Unit	2019
	<b>Total number of employees</b>	head count	<b>60,287</b>
	<b>Number of workers (internships, work agencies workers)</b>	head count	<b>4,842</b>
102-8	<b>Number of permanent contracts</b>	head count	<b>57,875</b>
	<b>Number of full-time contract</b>	head count	<b>47,294</b>
102-41	<b>Percentage of total employees covered by collective bargaining agreements</b>	%	64.7
401-1 <sup>4</sup>	<b>New hires</b>	head count	<b>7,155</b>
	– of which < 30 years old	head count	4,035
	– of which 30 ≤ age ≤ 50 years old	head count	2,886
	– of which > 50 years old	head count	234
	Hiring rate	%	12%
	<b>Leavers</b>	head count	<b>10,879</b>
	– of which < 30 years old	head count	4,136
	– of which 30 ≤ age ≤ 50 years old	head count	5,192
	– of which > 50 years old	head count	1,551
	Turnover rate	%	19%

<sup>2</sup> Statistics on training carried out in Korea and Malaysia are not available.

<sup>3</sup> Statistics on human resources by gender are not available.

<sup>4</sup> Data regarding only permanent employees.

GRI	KPI	Unit	2019
401-3	<b>Number of employees who took parental leave</b>	head count	<b>2,096</b>
	- of which maternity leave	head count	890
	- of which paternity leave	head count	1,206
	<b>Number of employees who took sabbatical leave</b>	head count	<b>99</b>
	<b>Number of employees who took nursing care leave</b>	head count	<b>5,593</b>
405-1	<b>Total number of Manager</b>	head count	<b>554</b>
	- of which < 30 years old	head count	1
	- of which 30 ≤ age ≤ 50 years old	head count	252
	- of which > 50 years old	head count	301
	<b>Total number of White Collar</b>	head count	<b>21,996</b>
	- of which < 30 years old	head count	4,126
	- of which 30 ≤ age ≤ 50 years old	head count	13,243
	- of which > 50 years old	head count	4,627
	<b>Total number of Blue Collar</b>	head count	<b>37,737</b>
	- of which < 30 years old	head count	9,275
	- of which 30 ≤ age ≤ 50 years old	head count	21,613
	- of which > 50 years old	head count	6,849

## Supply Chain Data

GRI	KPI	Unit	2019
308-2/414-2	<b>Suppliers assessed for social and environmental impacts<sup>5</sup></b>	no.	<b>823</b>
	<b>Suppliers identified as having significant actual and potential negative social and environmental impacts</b>	no.	<b>448</b>
	- with which improvements were agreed upon as results of assessment	no.	383
		%	85
	- with which relationships were terminated as a result of assessment	no.	1
	%	0.2	
204-1	<b>LOCAL PROCUREMENT</b>		
	- EMEA	%	40.8
	- APAC	%	30.1
	- NAFTA	%	24.7
	- LATAM	%	4.5

<sup>5</sup> The social aspects assessed includes also ethics and compliance

# Disclosure and Reporting

## About this Report

This report has been prepared in accordance with the GRI Sustainability Reporting Standard defined in 2016 by the Global Reporting Initiative (GRI), according to the “core” option, which provides for the reporting of at least one GRI indicator for each relevant topic.

This document is the first edition of Marelli Sustainability Report and contains a description of initiatives and activities carried out during year 2019 as well as performance data for 2019 (January 1, 2019 – December 31, 2019) with some exceptions due to transition period.

Performance indicators are gathered and reported on an annual basis.

The information reported refers to Marelli and its subsidiaries in line with other corporate documents.

For the environmental data the boundary includes previous Magneti Marelli's sites with production activities, considering also companies in joint venture under Marelli operative control, that are significant according to materiality criteria (based on information on the number of employees) and all the previous Calsonic Kansei's manufacturing sites, R&D centers and testing centers. Marelli is committed in the coming years to align its environmental reporting scope defining a unique boundary.

Below, methodological information for certain indicators reported in the report is provided.

### Hiring and Turnover Rate

Hiring rate is calculated as the number of new employees with permanent contract hired during the year compared to the total number of Company employees with permanent contract at 31 December of the same year.

Turnover rate is calculated as the number of employees with permanent contract who left the Company during the year compared to the number of Company employees with permanent contract at 31 December of the same year.

### Health and Safety

The total LTI rate is calculated as the number of lost time injuries (serious lost time injuries and lost time injuries) occurred in the year / total hours worked in the same year x 1,000,000.

## Energy Consumption

The conversion coefficients used to standardize energy consumption are from Table 1.2 of “IPCC Guidelines for National Greenhouse Gas Inventories, 2006” and from the “International Energy Agency – World Outlook (IEA-WO)” in the most recent version available. The coefficients for the other indirect energy consumption (e.g. cooling, heating, compressed air, etc.) are calculated considering the “generation mix” or “recipe” used by the supplier to generate the supplied energy vector. If the supplier cannot disclose the “generation mix” of a specific energy vector, historical data is used.

## Greenhouse Gas Emissions

Greenhouse gas emissions are calculated based on the principles of international standard ISO 14064-1. The emission factors used to calculate the CO<sub>2</sub> emissions disclosed in the report are from the following sources:

- Scope 1 emissions: the Scope 1 CO<sub>2</sub> emissions reported use the emissions factors reported in Table 2.2 of “IPCC Guidelines for National Greenhouse Gas Inventories, 2006”;
- Scope 2 emissions: the emissions related to the consumption of electricity are calculated according to the location-based approach, using the emission factors reported by “International Energy Agency (IEA), Emissions from Fuel Combustion”.
- The coefficients for the other indirect energy consumption (e.g. cooling, heating, compressed air, etc.) are calculated considering the “generation mix” or “recipe” used by the supplier to generate the supplied energy vector.

If the supplier cannot disclose the “generation mix” of a specific energy vector, historical data is used.

## Forward-looking Statements

This report contains forward-looking statements. Please be aware that actual results may differ due to variety of factors.

## Publication Date: October 2020



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