

NOVEM SUSTAINABILITY REPORT 2020/21

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ABOUT THIS REPORT

This is the first Sustainability Report produced by the Novem Group. It complies with the criteria of the Global Reporting Initiative (GRI) Standards. This report has been prepared in accordance with the GRI Standards: "Core option". Unless otherwise marked, the statements in this report apply to the entire Novem Group and relate to the business year 2020/21 (1 April 2020 to 31 March 2021). The editorial deadline for the Sustainability Report was 1 April 2021.

EDITORIAL NOTE

The report is available in German and English. This report does not use gender-specific double designations. All references to people such as "employees", "shareholders", etc. in this report apply equally to all gender identities.



FOREWORD BY THE MANAGEMENT BOARD

RESPONSIBILITY AT NOVEM

Our corporate values guide our actions. We summarise our aspiration under the concept of “Responsibility”, taking responsibility for people, society and the environment. As a medium-sized company, we think of responsibility as a long-term commitment. This is the only way we can achieve sustainable success into the future. In order to master this challenge, we play a proactive role in shaping change in the sector, inside and outside our company.



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DEAR READERS,

The coronavirus pandemic has defined our everyday lives for a full year now. The effects have provided a tough challenge for our entire social and economic life. This also applies to us at Novem. We have experienced the global dimension of the crisis directly at our locations on three continents. A strategic realignment of mindset was necessary at a global level and in all areas of the business. This placed an even greater focus on our responsibility as a company, for example in relation to the health of our employees, but also for the health of society as a whole.

The first Sustainability Report of the Novem Group was created against this background of awareness in 2021. This report highlights the various facets of our sustainability commitment. We reveal in this report how Novem links value creation with responsibility for people and the environ-

ment. The Sustainability Report has also given us the opportunity to question the status quo and to set innovations in motion. After all, the last year has demonstrated an important point: changes are possible if decisive action is taken.

As far as we are concerned, changes are also linked to sustainable development. We integrate this aspiration in our product portfolio through our current product range entitled "Sustainable Luxury". However, sustainability is not just about our products. All our locations have a certified Environmental Management System. This is how we ensure an efficient approach to energy, water and recyclable materials, and reduce our emission of greenhouse gases. We require our suppliers and partners to be equally committed to environmental and social standards. We make them commit to those standards in our Code of Conduct.

For us, a sustainable approach encompasses responsibility towards our employees. Their global commitment represents a paradigm for the excellence and dedication which enables us to delight and inspire our clients and overcome crises. At this point, we should therefore like to extend a big Thank You for your commitment in this exceptional year.

Last year was a year full of upheavals. However, it showed us that together we are able to master challenges in a joined-up approach. Against this background, we are optimistic for the future. After all, the will to change drives us forward. We demonstrate that commitment in this report.

We hope you enjoy reading our report and we very much look forward to a proactive dialogue into the future.

Stay healthy and safe!

Günter Brenner
CEO

Dr Johannes Burtscher
CFO

" We reveal in this report how Novem links value creation with responsibility for people and the environment. The Sustainability Report has also given us the opportunity to question the status quo and to set innovations in motion. "



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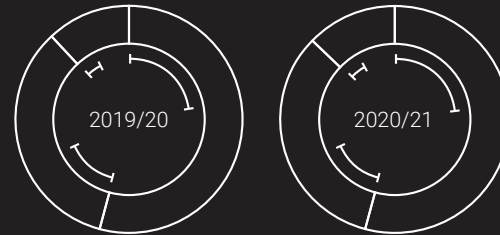
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NOVEM AT A GLANCE

SUCCESS STORIES DON'T HAPPEN BY CHANCE

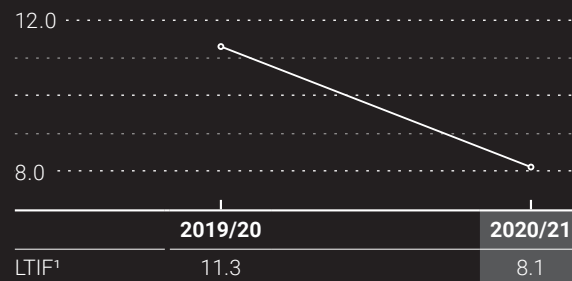
Established in 1947, today Novem is privileged to look back on a decades-long success story. Right from the start, the focus was on the manufacture of high-quality wood trims for the premium segment of the automotive industry. Since then, Novem has undergone continuous growth, opened up new markets, invested in research and development and expanded its portfolio of products and materials. Our customers include 18 manufacturers in the automotive premium segment. Innovative technology, exclusive quality and elegant design are features of our products.

EMPLOYEES AND GENDER DISTRIBUTION AT NOVEM

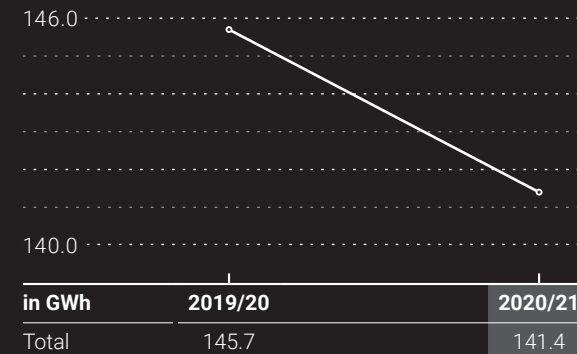


| Headcount | 2019/20 | of which female |
|-----------|---------|-----------------|
| Europe | 3,158 | 42% |
| Americas | 1,953 | 41% |
| Asia | 705 | 38% |
| | 2020/21 | |
| Europe | 3,010 | 43% |
| Americas | 1,958 | 42% |
| Asia | 749 | 37% |

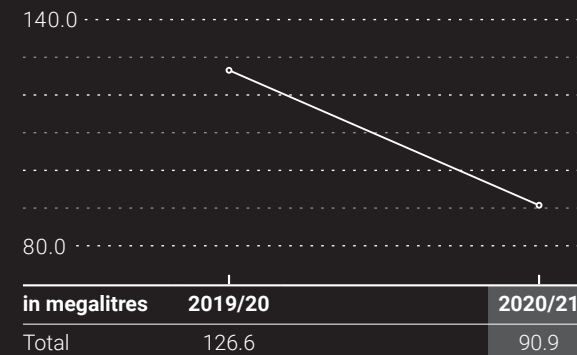
LTIF (LOST TIME INCIDENT FREQUENCY)



DEVELOPMENT OF ENERGY CONSUMPTION



DEVELOPMENT OF WATER WITHDRAWAL



¹ for every one million working hours



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SUSTAINABILITY AT NOVEM

Established in
1947

12
locations
worldwide

5,717
employees
worldwide

2021
first Sustainability
Report published

RESPONSIBLE ACTION

Novem is aware of its responsibility to people, society and the environment. Compliance with legal, social and environmental standards is part of our corporate philosophy. Our Code of Conduct defines binding ethical principles within the company and in the public domain.



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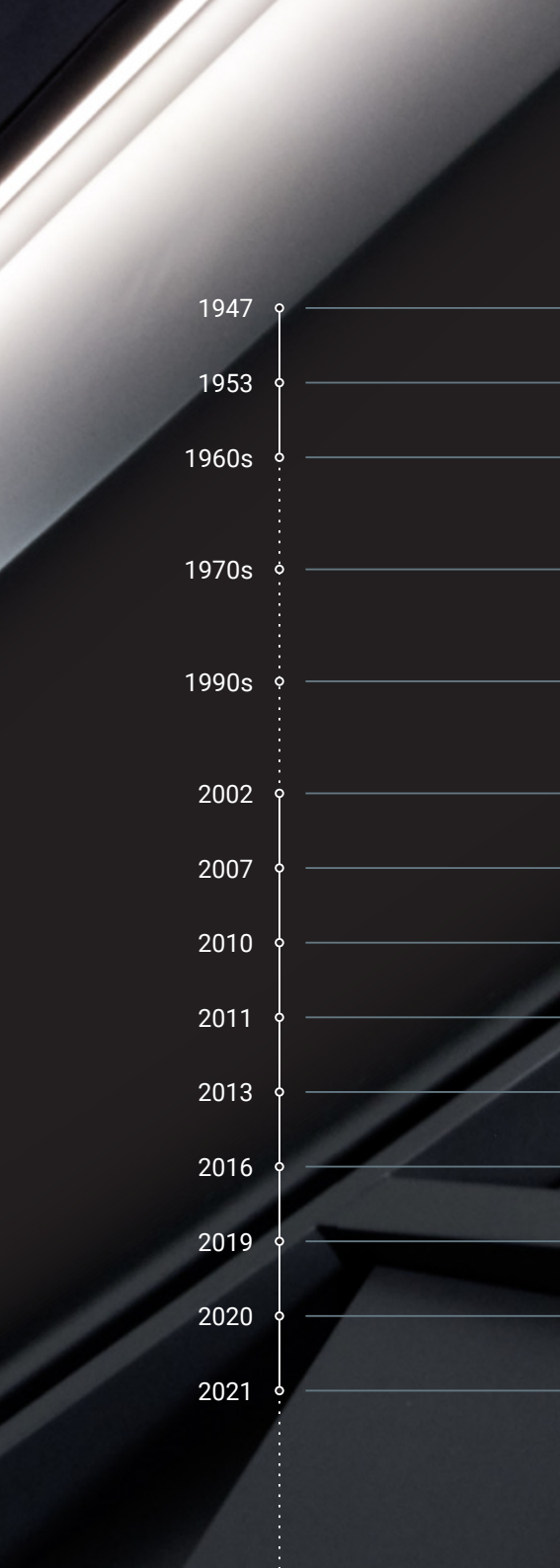


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COMPANY PORTRAIT

Established in 1947, today Novem is privileged to look back on a decades-long success story. Right from the start, the focus was on the manufacture of high-quality wood trims for the premium segment of the automotive industry. Since then, Novem has undergone continuous growth, opened up new markets, and expanded its portfolio of products and materials. We have developed into the market leader for high-quality trim components and decorative function elements for car interiors. Since 2011, the company has been majority owned by investment firm Bregal Unternehmerkapital, which is part of a multi-generational family business and family-backed investor.

Every year, the Novem Group develops and produces around 27 million trim components and decorative function elements for car interiors. This involves processing high-quality materials such as wood, aluminium, carbon and premium synthetics. Furthermore, we create products with innovative materials such as porcelain and glass fibres. We also carry out work at our design centre “Novem Interior World” on ideas for innovative and sustainable surfaces.



SUCCESS BASED ON TRADITION

- 1947 Establishment of the company by Ernst Pelz
- 1953 Equipment for the model BMW 502 V8, predecessor to the 7 Series BMW
- 1960s Expansion of the market in relation to innovation and design in the vehicle interior
- 1970s Equipment for the first 7 Series BMW, until today a fixed component of the portfolio
- 1990s Opening of locations in Italy, the Czech Republic and Honduras
- 2002 Introduction of PUR technology
First aluminium surface from Eschenbach
- 2007 Introduction of LeanWood technology
Opening of a location in China
- 2010 Introduction of a laminated wood veneer, a material mix made of wood and aluminium
- 2011 Opening of location in Mexico
Ownership changed to Bregal
- 2013 Development of a sensor trim
- 2016 Development of a “self-healing” PUR system
- 2019 Opening of the design and logistics facility in Vorbach
- 2020 Market expansion with the first Hyundai platform Genesis
- 2021 Publication of the first Sustainability Report



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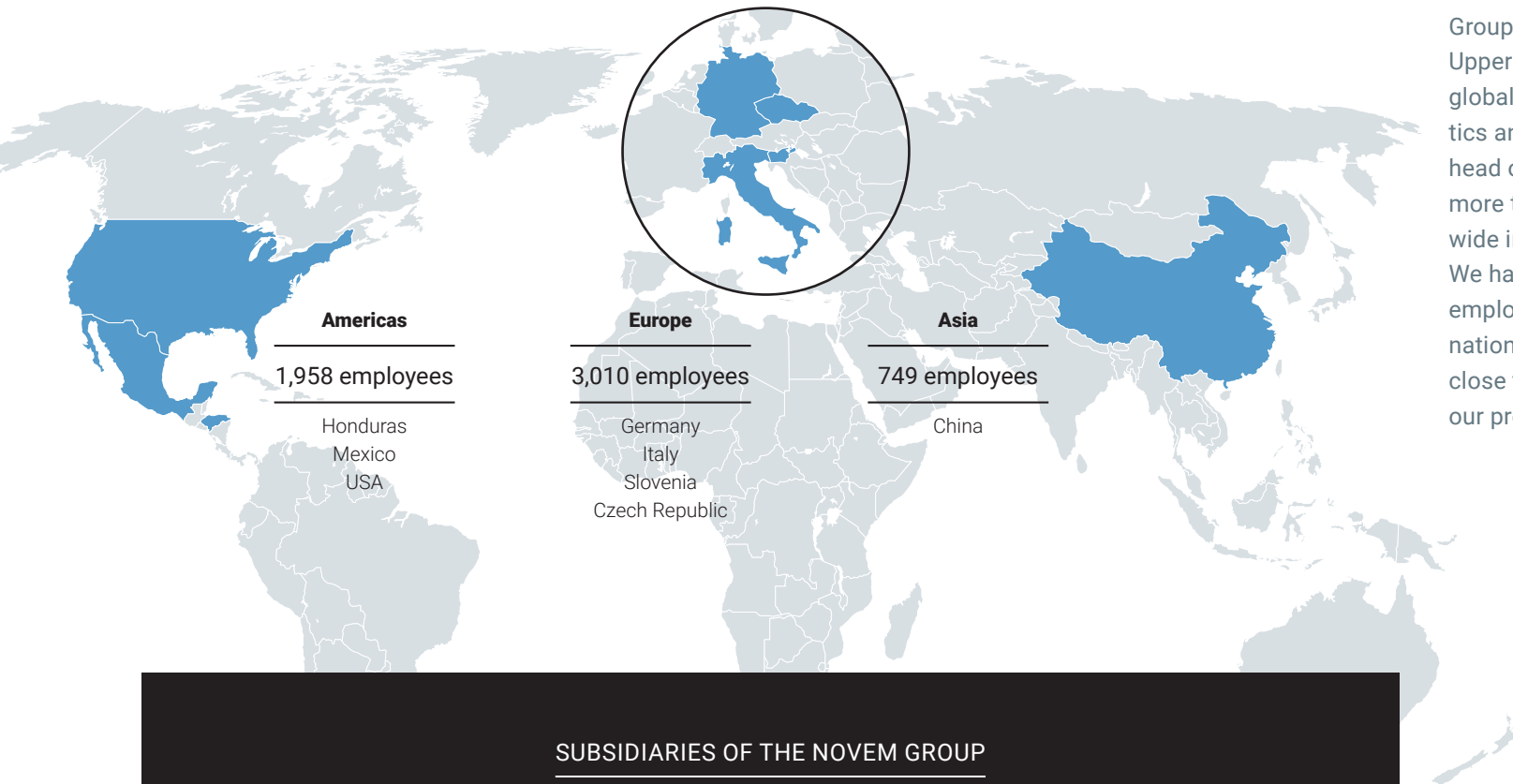


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NOVEM LOCATIONS WORLDWIDE



SUBSIDIARIES OF THE NOVEM GROUP

- | | |
|--|---|
| • Car Interior Design Luxembourg S.à r.l. | • Novem Car Interior Design S.p.A. Bergamo |
| • Novem Group GmbH | • Novem Car Interior Design k.s. |
| • Novem Beteiligungs GmbH | • Novem Car Interior Design d.o.o. |
| • Novem Deutschland GmbH | • Novem Car Interior Design, Inc. |
| • Novem Car Interior Design GmbH | • Novem Car Interior Design Mexico S.A. de C.V. |
| • Novem Car Interior Design Vorbach GmbH | • Novem Car Interior Design S. de R.L. |
| • Novem Car Interior Design Metalltechnologie GmbH | • Novem Car Interiors Design (China) Co., Ltd. |

The Headquarters of the Novem Group are located in Vorbach, Upper Palatinate. We manage our global network of production, logistics and sales locations from our head office there. Today, we have more than twelve locations worldwide in Europe, Asia and Americas. We have a workforce totalling 5,717 employees at these sites. The international presence helps us to keep close to our customers and to sell our products throughout the world.





THE CORPORATE VALUES OF THE NOVEM GROUP

Responsibility:

- We respect the culture, the local customs and traditions of the countries where we have our operations.
- We comply with all the statutory and environmental requirements.
- Our conduct embodies trust, honesty and fairness in our relationships with all our stakeholders.
- We act with a sense of responsibility and we are aware of the impacts of our activities.

Innovation:

- We value and reward ideas.
- We make use of our global knowledge.
- We create an environment geared to liberating the innovative spirit of all our employees and eliminating obstacles to changes.
- We take account of all aspects in our quest to create innovative solutions.

Excellence:

- We develop and deliver the best products in the market.
- We are in an ideal position to exceed all expectations.
- We outperform our ambitious goals in everything we do.
- Continuous development of talented individuals allows us to recruit, develop and retain the best and smartest employees.

Commitment:

- Our goals are clear to everybody throughout the organisation.
- We demonstrate our commitment by means of outstanding motivation.
- We continue to develop our culture by being reliable, honest and aware of our responsibility.
- Work for everybody here is a personal challenge and we are committed to always delivering the best quality punctually.

RESPONSIBLE CORPORATE GOVERNANCE

VALUE-ORIENTED ACTIONS

Our business operations are based on clearly defined values which we make a reality at all our locations around the world. "Responsibility" encompasses our aspiration to a responsible approach. We take responsibility for the impacts of our business and always take account of the expectations that our stakeholders have for us. Respectful and ethical behaviour towards employees, colleagues, business partners and the environment are a fundamental component of the system of values at the Novem Group. Every individual is required to act in accordance with these values based on responsible, fair and rules-based behaviour.

As a global player and partner of leading automotive manufacturers in the premium segment, we are governed by many different statutory regulations and the high standards prevailing in the automobile industry. We are committed to complying with the regulations in place and we take responsibility for our actions. Our Quality Management has been certified in conformity with IATF 16949. The international standard based on EN ISO 9001 combines existing general requirements for Quality Management Systems in the automobile industry.



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We have defined how we live up to our responsibility throughout the Group in our Code of Conduct. This was revised during the course of the reporting year and statements on sustainable business, human rights and working conditions, as well as financial responsibility were given more concrete form. The scope of the Code was also expanded so that the Code of Conduct is now binding for the entire supply chain. It defines key statutory regulations, ethical principles, values and ideals, and internal and external guidelines for integrity of conduct. It applies equally to all the employees, managers and executive managers working at the Novem Group, as well as to the Supervisory Boards and Advisory Councils elected in the individual companies. We also expect our business partners, suppliers and sub-suppliers to act in accordance with the principles defined in the code.

The basis for our own corporate actions and for cooperation with suppliers and partners is our commitment to generally applicable human rights and to recognised social standards. The Code of Conduct therefore reflects the principles on human rights and decent working conditions in accordance with the United Nations Charter of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work. Furthermore, the Code of Conduct explains the content of various national regulations on conflict minerals as the guideline for a responsible procurement policy. Protection of the environment is also part of our Code of Conduct. Our entire value chain is committed to the current changes involving the safeguarding of compliance with all environmental regulations and further measures for continuous improvement of environmental and energy efficiency.

COMPONENTS OF THE NOVEM CODE OF CONDUCT

- Compliance with the relevant applicable legislation at local, national and international level
- General principles of conduct
- Working conditions and human rights
- Dealings with business partners and third parties
- Competition and corruption
- Protection of property
- Data protection and data security
- Protection of the environment
- Communication and financial responsibility



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COMPLIANCE

Conduct in accordance with integrity and statutory legislation forms the basis for the business operations of Novem. We have clearly formulated the ground rules for this behaviour in our Code of Conduct. We uphold fair and undistorted competition involving compliance with the relevant competition and antitrust regulations. Each individual employee at Novem is responsible for acting in accordance with these principles. They are supported and advised by the relevant supervisors.

The Compliance Manual provides employees with a concrete guideline for acting in accordance with the rules and regulations. This reference document can be accessed at any time in the Intranet. We also provide our employees with regular training on the Code of Conduct, particularly on the issue of anti-corruption. In the reporting year 2020/21, around 96 percent of employees at risk of corruption participated in online training for anti-corruption. The participation rate of all employees taking part in training sessions on the Code of Conduct was also 96 percent.

Novem manages the issue of compliance through the Legal and Compliance Department. This reports directly to the Management Board. Compliance Management provides support for compliance

with ethical conduct in conformity with statutory regulations in the course of routine business every day and also ensures integrity at organisational level. Compliance Management works closely together with specialist departments and operational business units. Furthermore, local compliance partners are available to provide advice at every location throughout the world. Employees and external business partners can use the whistleblower system to notify the Compliance Organisation of any breaches or infringements of these principles.

As part of internal audits, we regularly review our locations, for example in relation to compliance with the requirements for prevention of corruption. The audit plan is individually agreed for each business year with the Management Board. We also hold a rolling programme of workshops with the specialist departments where we determine compliance risks and provide training on topics such as antitrust and competition law. This enables us to raise the awareness of our employees in relation to applying integrity in our dealings with partners and suppliers and treating them in compliance with the law. In addition, other risk workshops and analyses are planned, which are to be integrated in the group-wide compliance risk management process in future.



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RISK MANAGEMENT

We continuously assess the opportunities and risks arising from our business activity. Within the framework of risk management, we differentiate between sales, procurement, finance and compliance risks. These are each assigned to a divisional manager and they are then managed and monitored by this process owner.

Each division in the group of companies has its own risk controlling department which reports to the Management Board in meetings held at regular intervals. Alongside the monthly financial indicators, the emerging risks are also reported and assessed. This information flows into a regular opportunities and risk assessment at Group level. In addition to these precautions, we also carry out site-related impact analyses at our plants. Simultaneously, we use these to identify concrete environmental risks which result from our activity and we introduce appropriate improvement measures on this basis.

Novem pursues the goal of continuously improving its risk management to match the growth of the company. This also includes integration of sustainability aspects in our risk management. This involves analysing matters such as transitory risks resulting from new statutory legislation and regulations on climate protection, such as

the introduction of a CO₂ tax or a ban on diesel in large cities. We also take account of technological innovations.

Against this background, as a sector leader we perceive an opportunity in the context of sustainable change to play an active role in shaping the way forward by introducing new innovations. Independently of the increasing electrification by vehicle manufacturers, we make a dedicated contribution to making individual mobility more environmentally friendly through sustainable selection of materials for the surfaces of the trim components. For some time, we have therefore been carrying out research into the development of sustainable materials, such as innovative surfaces made of synthetics sourced from the reprocessing of PET bottles. We also use materials such as technical veneers made of wood offcuts.

TAXES

As a company operating on the global stage, Novem carries out its business in countries with complex tax regulations. The Novem Group and its companies have unrestricted and restricted tax liability in various countries. Complying with the applicable tax laws and meeting the associated tax obligations is part of our fundamental principles. This is because we believe that it is important to contribute to economic and social devel-

opment in the places where we ourselves benefit from the services provided by the state. Correspondingly, the Novem Group has firmly anchored the rejection of any form of tax avoidance in its principles for conduct.

The Management Board at Novem is responsible for compliance with tax obligations. Based on the allocation of business activity, this responsibility is part of the remit of the Chief Financial Officer (CFO). Continuous communication and consultation take place with all the stakeholder groups with an interest in this matter. Novem is regularly audited by the tax authorities in different jurisdictions. There is a regular exchange of information with the responsible local and national tax authorities. Within the company, we continuously identify and assess tax risks on the basis of management and controlling systems. The Head of Corporate Accounting and Tax reports to the Management Board on important tax issues and projects on a monthly basis. If complex decisions have to be made, expert reports and opinions are obtained from outside the company. The primary focus in the area of Corporate Tax is on further improvement of the Corporate Tax Management System by means of a Group Tax Guideline and the further development of process-oriented checks and balances.



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SUSTAINABILITY MANAGEMENT

In our role as an automobile supplier, our aim is to play a proactive role in the sustainable transformation of the sector. This enables us to meet the increasingly stringent environmental requirements of our customers. At the same time, we have the opportunity to drive forward positive changes with innovative products and social and environmentally compatible processes. Our certified Environmental and Quality Management System helps us in this process.

For many years, Novem has been a hallmark of quality and premium materials, as well as being a badge for the potential of its workforce. The high aspirations are reflected in our strategic alignment, which we underpin with clearly defined objectives. Alongside economic stability, we also strive to attract the best employees for our enterprise and to retain their loyalty, to create sustainable and innovative solutions and to reliably guarantee the high standard of quality in all our activities.

We are confident that social, environmental and also sustainable environmental responsibility will empower Novem and the entire automobile sector to move forward into the future. The benchmark for this progress at Novem is provided by customer goals and consumer aspirations, alongside key social developments.



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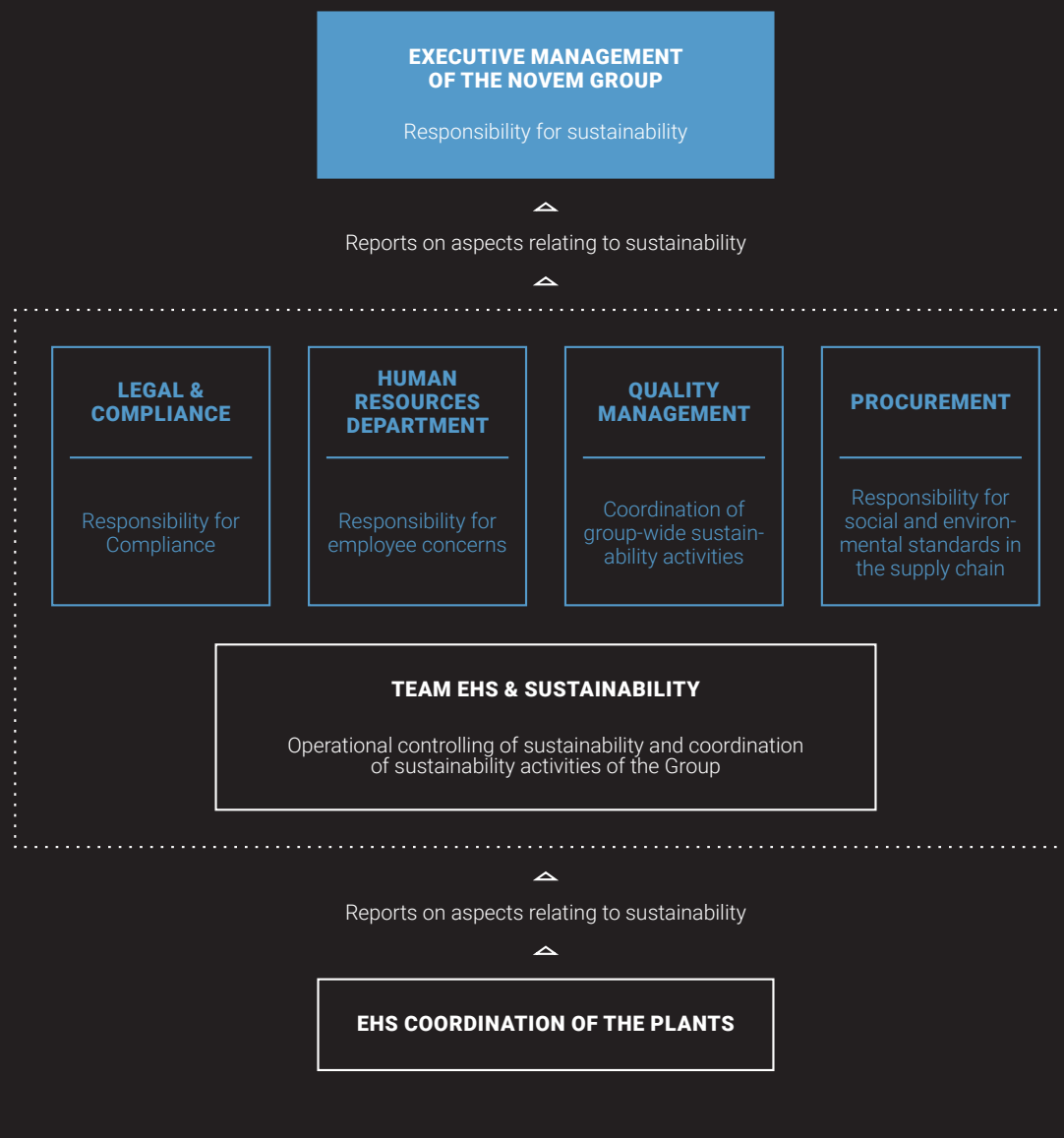
SUSTAINABILITY ORGANISATION

The responsibility for sustainability at Novem lies with the Chief Executive Officer (CEO). He is continuously informed about aspects relevant to sustainability by all divisions. The “EHS & Sustainability” team manages the issue in the operating business as part of Central Quality Management. This department coordinates all the sustainability activities within the Novem Group worldwide relating to the topics of environment, health and safety. The Human Resources Department deals with all the concerns and requirements relating to the employees. Compliance with social and environmental standards in the supply chain is the responsibility of Procurement.

INTEGRATION OF STAKEHOLDERS

As a company operating on the global stage, we are in continuous communication with numerous stakeholder groups. These include our existing and potential employees, customers and consumers, suppliers and partners, as well as policy-makers and members of the general public. We use various formats and channels in order to communicate directly with specific target groups. Our employees provide us with a continuous stream of information on all the important developments within the company. We also seek close cooperation with customers, consumers, and our suppliers and partners. Alongside digital and analogue means of communication, we also make use of

SUSTAINABILITY ORGANISATION OF THE NOVEM GROUP



direct contact at events such as trade fairs and exhibitions to foster communication. We conduct dialogue with policymakers and business leaders particularly within the scope of our membership of numerous associations and initiatives, and at local level we engage in direct communication.

Our formats for dialogue with stakeholders

Employees: Employee newspaper inside, Intranet “NovemNET”, Family Day, Day of Open Door, website, social media, information events

Applicants: Cooperation with universities and colleges (e.g. University of Applied Sciences Amberg-Weiden), Code of Conduct, job advertisements, website, social media, regional career fairs at institutes of higher education, or organised in the context of national associations

Customers and consumers: Brochures, website, company presentations, videos “Perfection – a film by Novem” and “Production at Novem”, attendance or digital roadshows, personal customer appointments, sending out design samples or catalogues, trade fairs and exhibitions (e.g. with other suppliers or partners), contracts at specialist conferences

Suppliers and partners: Supplier portal, memberships of various networks, e.g. Kunststoff Information Verlagsgesellschaft mbH, trade fairs and exhibitions

Policy: Associations, direct communication with local representatives as necessary

Press and media: Reports, website, press releases, social media

Memberships in associations and initiatives

- German Association of the Automotive Industry (Verband der Automobilindustrie (VDA))
- Association of the Wood Industry and Plastics Processing Bavaria/Thuringia (Verband der Holzwirtschaft und Kunststoffverarbeitung Bayern/Thüringen e.V.)
- BF/M Research Centre on Business Management for Questions of Medium-sized Companies (BF/M Betriebswirtschaftliches Forschungszentrum für Fragen der Mittelständischen Wirtschaft e.V. (BF/M Bayreuth))
- Federal Association for Supply Chain Management, Procurement and Logistics (Bundesverband Materialwirtschaft, Einkauf und Logistik e.V. (BME))
- Plastics Information Europe (Kunststoff Information Verlagsgesellschaft mbH)
- German-speaking SAP Applications Group (Deutschsprachige SAP Anwendergruppe e.V. (DSAG))
- VOICE – Federal Association of IT Users (VOICE - Bundesverband der IT-Anwender e.V.)
- ISELED (Intelligent Smart Embedded LED) Alliance
- Driving Vision News (DVN)

DETERMINATION OF MATERIAL TOPICS

The basis for the first Sustainability Report was provided by determination of material sustainability topics. For this purpose, we carried out a Sustainability Analysis in accordance with the requirements of the Global Reporting Initiative (GRI), which takes into account the view of the company and the perspective of our stakeholders. This was used to determine the material impacts of the business activity of Novem on people, the environment and society.

As a first step, we joined forces with an external sustainability consultancy to draw up a list of relevant sustainability topics for Novem. This involved incorporating social, political and sector-specific requirements. In the second step, the managers of Novem evaluated the impacts of the business activity of their company on the 14 sustainability topics identified as part of an online survey. The relevance of sustainability topics from the point of view of the stakeholders was then assessed in a workshop. The final assessment concludes that all 14 topics are material for Novem. The concrete assessments were then finally analysed by the participants in a follow-up discussion before being validated, and then subsequently approved by the Management Board. We assigned the topics identified as material to the appropriate GRI standards and the Novem Group reports on them (see table “Material Topics at Novem”, p. 39).



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VALUE CREATION

INNOVATION MEETS EXCELLENCE

We are addressing the transformation of the automobile sector with an approach typical of Novem. We are designing things from inside out, without losing our perspective on the exterior styling. In cooperation with our partners, we are creating innovative and high-quality products for vehicle interiors and impressing our customers with new solutions. In turn, we are increasingly committed to a sustainable way of doing business. We combine this with profitability and long-term growth. This empowers us to secure a sustainable future.

↑ ⇌ ↓ Year-on-year change

→
Around **400**
suppliers worldwide

Certified Quality
Management
System at all sites

↑
84
patent families
2020/21

↑
More than **93**
percent participation
rate in IT and informa-
tion-security training



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INNOVATIONS FOR FUNCTIONALITY AND SUSTAINABILITY

Novem demonstrates with the application Function in Authentic Materials (FIAM) how the company combines functionality and sustainability. The production procedures of screen printing, high-pressure forming and injection moulding are combined in the manufacture of function elements for the car interior. This reduces the production and assembly steps and integrates functions in the materials. As a result, Novem saves materials and energy, and reduces the assembly space taken up by the function trim.



Centre console with fine wood panelling and integrated switch and lighting elements (smart surface).

ECONOMIC STABILITY AND TRANSFORMATION CAPABILITY

The automobile industry is undergoing fundamental change. Electrification, autonomisation and digitalisation are changing the way in which automobiles are conceived, built and used. These developments are also bringing about a change in how the interior is viewed. Innovative surfaces and spaces are being created and this is associated with the possibility of restyling the interior of the vehicle. Autonomous driving also means that the interior is increasingly becoming a reality to be experienced. The aspiration of consumers for functionality and comfort is increasing.

As a global sector trendsetter, Novem wants to play an active role in shaping this change. Strategic investments are enabling us to actively engage with the transformation of the sector in order to prepare our employees and sites for the upcoming challenges and to drive forward the development of new technologies and innovations. Sustainability plays a key role here. We are making use of renewable or recycled raw

materials to reduce our environmental footprint and to create sustainable assets for our customers. For example, we have already been using other natural materials such as linen, hemp, rattan and stone in addition to wood for some time now. Furthermore, we are developing new designs that meet the aspirations of our customers for functionality, sustainability and quality (see Infobox "Innovations for Functionality and Sustainability"). On the reporting date 31 March 2021, Novem holds patents and utility models belonging to 84 patent families. These patent families include 99 patents and 46 utility models registered in various jurisdictions. In addition, Novem has applied for 22 patents and 21 utility models, which have not yet been granted.

A robust financial foundation facilitates investments that allow us to secure our sustainable future as a company. In the business year 2020/21, the Novem Group generated sales amounting to around 603 million euros.



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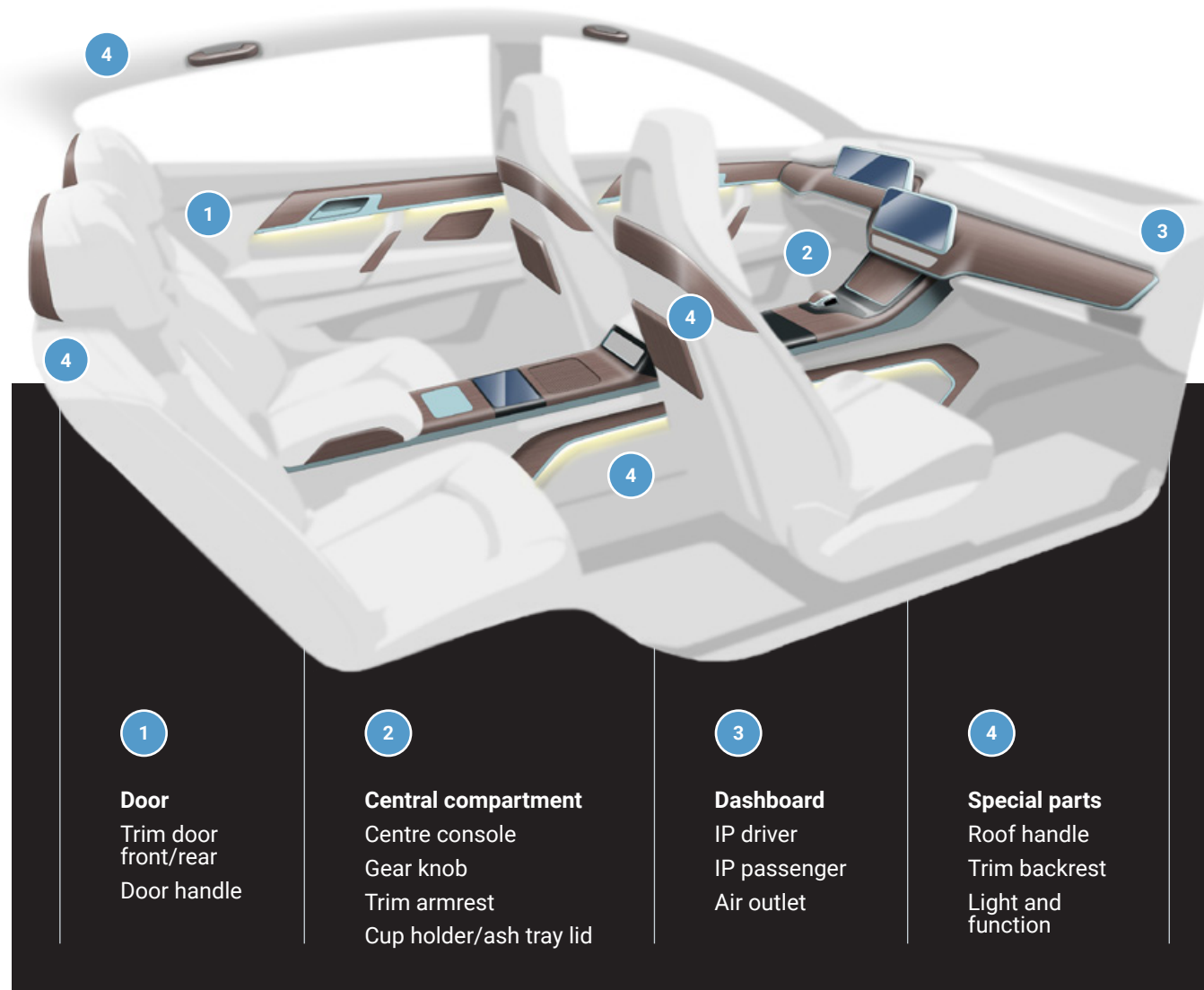


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PRODUCT RANGE FROM NOVEM



HIGH-QUALITY PRODUCTS AND CUSTOMER SATISFACTION

The Novem Group develops and produces high-quality trim components and decorative function elements for car interiors. The Novem product portfolio includes elastic synthetic supports for high-usage door handles, light-resistant and shock-proof trim elements for the centre console, belt lines and capacitive function elements. Our products are found with many different uses in numerous vehicles, in particular in the premium automobile segment. We combine different materials to create individual and innovative products. Our quality aspiration includes processing many of our products with a relatively high proportion of manual craftsmanship and this creates a unique level of exclusivity.



Our products are not components relevant to safety in the vehicle. Nevertheless, we are committed to high standards of quality and safety along the entire value chain: from planning, through manufacture to delivery at our customers. We link our quality aspiration to the use of high-end materials and modern production procedures. Novem uses the Quality Management System certified in conformity with IATF 16949 at all its locations. This is how we consistently improve our processes and ensure that our products are in compliance with the high quality standards.

Central Quality Management is responsible for the safety and quality of our products. All the safety and quality aspects are controlled by Central Quality Management and the department defines guidelines applicable to all locations in the Group. Every location has a dedicated Quality Manager who implements all of the central regulations.

The satisfaction of our customers is the explicit goal of our company. In order to meet the expectations of our customers and to identify potential improvements, we gather feedback from our customers at a sales meeting held every year. Novem has drawn up group-wide guidelines in order to effectively manage customer concerns. The document provides our employees with guidance when they are communicating with our customers, for example when dealing with complaints.

DATA PROTECTION

Data protection and the confidentiality of information are a fixed element of our corporate principles. We consistently comply with the relevant laws and regulations on data protection when we collect, store, process and transfer personal data and information.

The protection of confidential, secret data is absolutely essential, particularly in cooperation with our business partners. When we exchange confidential information with customers and suppliers of Novem, we conclude appropriate non-disclosure agreements in order to protect the secrecy of this information.

We bundle the responsibility for these issues in a dedicated team for IT and information security that is made up of representatives from IT Security and Compliance. Furthermore, we have established a central notification office at Novem for IT issues and malfunctions relevant to security. The Novem Group is also supported by an external Data Protection Officer.

In order to safeguard the necessary IT and information security, Novem has established a certified information security management system in accordance with the TISAX Standard (Trusted Information Security Assessment Exchange).

This is based on the DIN EN ISO 27001 standard. In this context, we have implemented and tested technical and organisational measures. These measures are reviewed, improved and renewed on a continuous basis. In 2021, we successfully carried out a recertification in conformity with TISAX.

Each individual employee has an obligation to deal responsibly with personal data in compliance with the relevant statutory regulations and to protect confidential information. We have therefore summarised all provisions under data protection legislation and regulations on IT and information security in relevant guidelines. Online training sessions are used to provide our employees with information on the topics of data protection, and IT and information security at regular intervals. More than 93 percent of our employees took part in online training for IT and information security in 2020, 86 employees from prototype construction were additionally given face-to-face training. In 2021, Novem is planning to hold additional online training sessions at its European locations with particular emphasis on the topic of data security.



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SUSTAINABLE PROCUREMENT AND SUPPLY-CHAIN MANAGEMENT

Owing to the diversity of materials we use, our value chain is highly diverse. This makes it all the more important to build stable and long-term relationships with our partners. This cooperative approach in a spirit of trust is how we ensure the platform for purchasing materials that meet our high requirements for quality. Close partnerships also enable us to respond rapidly to changing and more stringent requirements.

Novem maintains a global network of around 400 suppliers for the procurement of production materials. This includes small family-run companies and large Groups. In the business year 2020/21, we purchased goods valued at 284 million euros for production. The biggest product groups measured by sales include untreated, galvanised or painted plastic parts, electrical components, surface materials, granules, aluminium panels and veneers. These make up to around 75 percent of the total procurement volume.

Procurement is carried out centrally at Novem on the basis of product groups. Local purchasing departments also provide support in the procurement of goods. The procurement strategy

at Novem provides for sourcing the necessary material for series production as far as possible from national suppliers. This policy enables us to reduce the risk of delivery bottlenecks, avoid long transport routes and promote the local economy. However, the high requirements placed on our products by our customers mean that this is only feasible to a certain extent in specific countries. Novem currently sources an average of 41 percent of the series materials in the same country as the Novem production site. This is 66 percent in the case of consumables and supplies.

The Novem supplier network extends across many countries. These often have differing requirements in relation to the topics of the environment and social matters. Naturally, we always comply with the national legislation in these areas. To the extent that our internal rules extend beyond the relevant statutory regulations in certain areas, we apply our higher standard. We have established the social and environmental requirements applicable to our suppliers in the group-wide Novem procurement conditions, the suppliers' manual and the Code of Conduct.

The Novem Code of Conduct defines basic requirements that we apply to cooperation with our suppliers, e.g. prohibition on child labour, respect for human rights, commitment to freedom of association and compliance with environmental regulations. In the reporting year 2020/21, we are not aware of any infringements of these requirements throughout the entire Novem supplier network. As part of supplier management, we review compliance with the Code of Conduct on a random-sample basis. Potential breaches can be reported by internal personnel and external third parties to our Central Compliance Management. If infringements of the Code of Conduct are established, Novem requires immediate compliance and reserves the right to apply sanctions as appropriate (e.g. new business on hold). These extend to the ultimate sanction of terminating the business relationship.

We describe concrete and group-wide standards for our supplier relationships in our Suppliers' Manual. These include quality, environmental protection and health, and compliance with the principles defined in our Code of Conduct. Against this background, we expect our suppliers to have the



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following systems in place: an energy management system, implementation of the EU chemicals regulation – Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH), confirmation of the exclusion of conflict minerals and the use of reusable packaging.

Novem requires all new suppliers of series materials to confirm compliance with the Code of Conduct and the Suppliers' Manual. In line with these requirements, new suppliers can only be set up in the system if they have made a commitment to compliance with the Code of Conduct. During the reporting year, our biggest suppliers measured by sales once again made an explicit commitment to the principles of our Code of Conduct.

In the previous business year, we carried out a CSR Self-Assessment Survey for the first time in order to evaluate how our biggest suppliers ensure a responsible approach. 86 percent of the surveyed suppliers submitted detailed feedback. Over the course of the new business year, the CSR Survey will be integrated with the Self-Assessment

Questionnaire (SAQ) 4.0 of the NQC Platform. This relates to the latest sustainability survey for a company among the leading OEMs with the aim of gradually improving the sustainability performance of the suppliers. The initial plan is to use the SAQ 4.0 to evaluate the top 30 suppliers from Novem and to define, develop and verify appropriate measures in the event of any deviations.

Environmental management is also an important aspect in the selection of new suppliers. Certification of specific suppliers in conformity with ISO 50001 and ISO 14001 has therefore been defined as an objective. The definition of the relevant suppliers is carried out every year on the basis of an assessment of the manufacturing process for the supplied product. At the present time, 82 percent of the biggest suppliers of series materials measured by sales comply with the ISO 14001 standard and 35 percent comply with the ISO 50001 standard. The certification is included in the annual supplier assessment. If a supplier fails to comply with this requirement, it exerts a negative impact on the supplier assessment in accordance with IATF 16949.



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Environmental Management
Systems in conformity with ISO
14001 at all production sites



90.9

megalitres of water
consumption

REDUCING THE IN-HOUSE FOOTPRINT

Environmental protection forms the core of our responsibility. As a production company, we want to work towards keeping our environmental footprint as small as possible over the entire value chain. Our focus is on the careful selection of materials and on efficient use of resources. We also want to make our contribution towards decarbonising the economy through energy efficiency and by reduction of greenhouse gases.



141.4

GWh of
energy consumption



83

percent of veneer
suppliers are FSC certified

↑ ⇌ ↓ Year-on-year change



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ENVIRONMENTAL MANAGEMENT

In our corporate policy, we define environmental protection, energy saving and careful use of resources as part of our common purpose. This involves an analysis of the entire lifecycle of our products: from the procurement of raw materials, through production to utilisation.

Group-wide responsibility for environmental concerns is with the EHS Team – Environment, Health and Safety, which is integrated within the Quality and EHS Department. Each location also has one or more EHS coordinators who are responsible for implementing and monitoring central regulations and site-specific measures. These are designated by the facility management and in agreement with the central EHS Management at the Novem Group.

All Novem production sites across the world have certified Environmental Management Systems in conformity with ISO 14001. Furthermore, all Novem locations have ambitious environmental goals. Every year, group-wide goals are drawn up by the central EHS Department in cooperation with the Vice President Operations and the Executive Board. The individual sites derive their own objectives based on the centrally defined strategic goals.

Since 2009, we have carried out a mandatory Impact Assessment at all our sites in order to record our risks along the individual stages. Our aim is to use this assessment to record precisely where our greatest environmental impacts are so as to derive appropriate group-wide goals and measures.



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ENERGY AND EMISSIONS

As a manufacturing company, our production steps have a high level of energy consumption. At Novem, most energy is used in surface manufacture, injection moulding, pressing and milling operations. Electricity and natural gas are the main energy sources used.

All energy management systems of our German facilities are certified in conformity with the ISO 50001 standard. By June 2021, these are also scheduled to be introduced at our plant in Žalec. Novem also has an energy audit system in conformity with ISO 16247 at all European locations. During the reporting year, we appointed a central Energy Manager in order to pool control of the energy-management system and audit, and the energy projects at the Novem Group with the aim of achieving the environmental goals. We carry out a continuous process of review for our energy consumption and the associated potential savings. We use an external recording system for energy data at our German locations for this purpose.

This is linked up with all new machines and systems and determines data relating to the corresponding energy consumption. This provides us with a systematic approach for identifying potential energy savings. As part of the implementation of ISO 50001, this system will be introduced at our location in Žalec.

When any new infrastructure is put in place or the manufacturing process is upgraded, a top priority is on modern and efficient technology. This includes, for example, the installation of energy-efficient heating systems, air heat pumps and LED lighting. For example, the conversion to LED lighting at our location in Mexico delivers an annual saving for electricity amounting to around one million kilowatt hours. Across the Group, we have succeeded in reducing our energy consumption by 4,272,146.0 kWh (2019/20: 131,918.0 kWh) during the reporting year 2020/21. The central Energy Efficiency Project contributed to this achievement. As part of the project, one of the measures

we introduced at the German locations during the reporting year was implementing on-off plans, reducing the pressure level in the plant and carrying out patrols at the weekend in order to identify potential leakages of compressed air. The project also served to promote exchange of best practices between locations.

We cause greenhouse gas emissions as a result of energy consumption by our production facilities. Emissions are also generated within our value chain in the course of our upstream and downstream activities. Against the background of climate change, we want to make our contribution and continuously reduce emissions.

For the business year 2020/21, we had defined the target of bringing down the energy-based greenhouse gas emissions (Scope 1 and Scope 2) by two percent in a year-on-year comparison with the business year 2019/20. As part of the planned sustainability strategy, Novem will work out a roadmap for reduction of greenhouse gas emissions.

ENERGY CONSUMPTION WITHIN THE NOVEM GROUP BY ENERGY SOURCES

| in kWh | 2019/20 | 2020/21 |
|--|----------------------|----------------------|
| Consumption of non-renewable combustion fuels (oil and gas) | 28,651,092.0 | 30,470,022.0 |
| Electricity, heat and cooling energy, and steam purchased for consumption, individually (electricity and district heating) | 117,064,005.0 | 110,972,929.0 |
| Total energy consumption | 145,715,097.0 | 141,442,951.0 |

ENERGY INTENSITY AT THE NOVEM GROUP

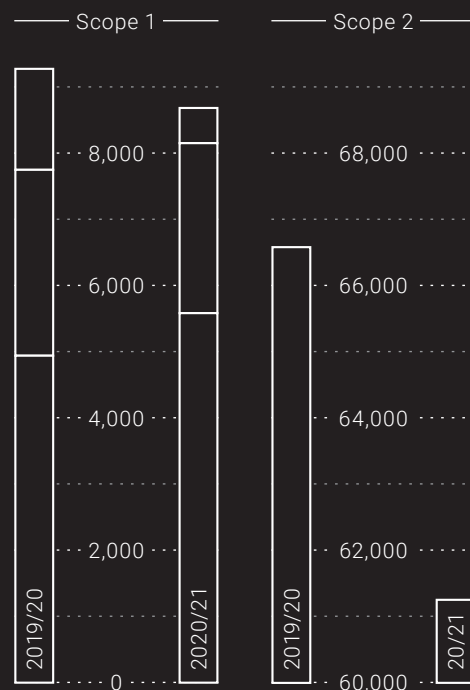
| | 2019/20 | 2020/21 |
|---|---------------|---------------|
| Total energy consumption (in kWh) | 145,715,097.0 | 141,442,951.0 |
| Produced parts | 28,006,495 | 26,822,984 |
| Energy intensity ratio (kWh/component) | 5.2 | 5.3 |

Since 2019, we have been determining our annual emissions with the assistance of environmental footprint software from Sphera. We input all the relevant climate gases¹ in the software and determine CO₂ equivalent values from this. The basis for the calculation is formed by the requirements of the Greenhouse Gas (GHG) Protocol. A distinction is drawn here between direct (Scope 1), indirect (Scope 2) and other indirect greenhouse gas emissions (Scope 3).

In accordance with the GHG Protocol, Scope 1 emissions result from various sources including from the consumption of combustion fuels at our locations and from the consumption of vehicle fuel by our own fleet of company cars. At our own production facilities, the overwhelming proportion of Scope 1 emissions is due to the use of natural gas and heating oil. During the reporting year, we succeeded in reducing these emissions by 592.7 metric tons of CO₂ equivalents in a year-on-year comparison. One of the reasons for this was the cutbacks in production occasioned by the coronavirus pandemic. Our Scope 2 emissions are attributable to electricity production at our electricity utilities. The emissions here also came down significantly year on year. Overall, Scope 1 and 2 emissions came down by 5,375.8 metric tons of CO₂ equivalents during the course of the reporting

¹ These include CO₂, CH₄, N₂O, HFCs, PFCs, SF₆, NF₃ and all other volatile compounds from their chemical constituents.

ABSOLUTE GREENHOUSE GAS EMISSIONS (SCOPE 1 AND 2) IN MT CO₂ EQUIVALENTS FOR THE NOVEM GROUP



| Scope 1 – direct GHG emissions | 2019/20 | 2020/21 |
|-----------------------------------|-----------------|-----------------|
| Natural gas | 4,952.9 | 5,597.5 |
| Heating oil | 2,815.6 | 2,574.9 |
| Fuels (company-car fleet) | 1,529.5 | 532.9 |
| Incl. flights | | |
| Total of Scope 1 emissions | 9,298.0 | 8,705.3 |
| Scope 2 – indirect GHG emissions | | |
| Electricity ² | 66,038.0 | 61,254.9 |
| Total Scope 2 emissions | 66,038.0 | 61,254.9 |

year. The other indirect emissions in accordance with Scope 3 are due to activities in the supply chain related to areas such as production of raw materials or the manufacture of intermediate products. At the moment, we are only recording Scope 1 and Scope 2 emissions systematically from our prioritised emission sources. We will continue to optimise data recording in order to cover the remaining emissions in our greenhouse gas footprint in future.

Our efforts are intended to meet the requirements of our customers as they rise in future. Against this background, Novem is currently reviewing the various opportunities for effectively reducing its emissions. These include, for example, sourcing green electricity and more efficient transport routes in our logistics chain. We are also planning to mitigate greenhouse gas emissions by promoting regional and national environmental projects.

INTENSITY OF GREENHOUSE GAS EMISSIONS AT THE NOVEM GROUP

| | 2019/20 | 2020/21 |
|---|----------------|----------------|
| Total of GHG emissions | 75,336.0 | 69,960.2 |
| Produced components | 28,006,495 | 26,822,984 |
| Intensity of GHG emissions | 0.00269 | 0.00261 |
| (mt CO ₂ equivalent / component) | | |

² The market-based method was applied for the calculation; value 2020/21 by location-based method: 65,339.1 mt CO₂ equivalents



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WATER AND EFFLUENTS

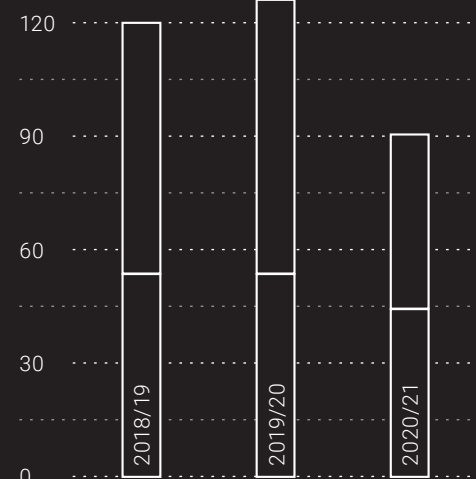
Efficient use of the resource water plays a major role in our operational workflows. The biggest volumes of water are attributable to the operation of our spray booths and ventilation systems in clean-rooms, and the use of sanitary facilities and recreation rooms.

How the use of water at Novem impacts on the environment is part of the site-specific impact analyses. These help us to determine site-specific risks and derive appropriate measures from them. This is because the way in which Novem withdraws water varies from site to site. In Europe, water comes from public pipelines and hence from the water storage facilities of the corresponding utilities. Conversely, we use our own springs to supply water to our site in Honduras. In Mexico and China, we withdraw the required water from designated water reservoirs. Since we are operating in some areas that are subject to water stress, we take particular care in these regions to conserve this resource. At our location in Mexico, for example, we use service water from production at our sanitary facilities.

In our production processes, we take measures in order to use the process water utilised for as long as possible. Improved filtration and treatment techniques in the paint facilities contribute directly to this objective. This enables us to recirculate the water we use several times and we have to clean the booths less frequently.

Our Environmental Management Systems are also linked to targets for handling water. The individual locations define their own targets and take measures that relate to the specific conditions on the ground. For example, measures taken at our Mexico location contributed to reducing the volume of water withdrawn by 28 percent within a single year. In the reporting year, we consumed a total of 90.9 megalitres of water. This enabled us to significantly reduce our consumption of water by comparison with the year-earlier value (2019/20: 126.6 megalitres). A key factor in the reduction is the restrictions as a result of the coronavirus pandemic.

WATER WITHDRAWAL AT THE NOVEM GROUP



| in megalitres | 2018/19 | 2019/20 | 2020/21 |
|--------------------------|--------------|--------------|-------------|
| Surface water withdrawal | 53.9 | 53.9 | 44.6 |
| Groundwater withdrawal | 66.6 | 72.7 | 46.3 |
| Total | 120.5 | 126.6 | 90.9 |



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If possible, we always keep water in circulation and reuse it. Nevertheless, wastewater is produced at Novem with the biggest proportion coming from our sanitary facilities and from individual production steps, such as the paint shop. Novem holds the legally required licences for discharging wastewater at all its locations and consistently complies with the statutory regulations of the individual country.

In Germany, wastewater from sanitary facilities is discharged into the sewerage system. Process water is also produced during the course of our paint processes. We do not discharge this process water directly into the sewerage system but first neutralise it in a technical procedure. At our sites in Honduras and Mexico, we use technical processes to treat process wastewater so that it can then be reused again. In Honduras,

the treated water is then discharged into a small stream running alongside the plant facility that flows into the “Rio del Hombre”. The wastewater values are checked in the plant and by the Honduran Government.

WATER VOLUME REDUCED

At the Chinese plant in Langfing, we commissioned a wastewater evaporator in 2020. This is a treatment plant for our aluminium process water. The technical innovation at the site there has enabled us to reduce the volume of process water for aluminium processing by 40 percent compared with the year-earlier value.



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CIRCULAR ECONOMY

As a manufacturing company, Novem sources and processes numerous materials on a daily basis, such as wood, aluminium, carbon, premium synthetics and chrome trim elements. Raw materials such as wood, and the use of chrome at our supplier for refining trim components can have negative impacts in manufacture for animals, people and the environment. The same applies to individual materials at the end of their product life if these are not disposed of professionally.

It is all the more important for Novem to procure sustainably produced materials and to work on environmentally friendly product designs and the recyclability of our products. Initially, we rely on high quality and environmental standards for our suppliers of raw materials. An annual survey based on a "Conflict Mineral Reporting Template" carried out with our suppliers also ensures that no conflict materials or prohibited raw materials are used at Novem.

At our own plants, we ensure that the use of resources is as efficient as possible. As a consequence, we also keep the volume of rejects to a minimum. Novem has defined this as one of the most important goals for process optimisation.

MATERIALS USED

The majority of parts sourced by Novem are made of a mixture of different materials and there is consequently only limited information on the concrete material composition. Unpainted and painted plastic components make up the biggest proportion of 32.5 million items each year, followed by galvanised plastic components with an annual volume of 19.5 million items and 16.5 million electronic components. These include around 5,000 metric tons of plastic granules each year and 2,000 metric tons of aluminium. We also process a total area of 2.5 million square metres of veneer wood each year.

High-quality materials ensure the foundation for the quality and value of our products. We combine Novem's interpretation of quality with the aspect of sustainability. Although Novem only has a limited influence on the selection of materials at its suppliers, we nevertheless make every effort to join forces with them and develop sustainable alternatives together.

We use a large variety of materials and we take care to process them in an environmentally friendly and sustainable way. For example, the raw material wood is used exclusively in the form of veneer for our trims in the interior of the vehicle. The wood is used in very thin veneer thickness. A cubic metre of some species of wood can produce up to 2,000 square metres of veneer or an average of 67,515 parts can be manufactured. This enables Novem to achieve optimum use of materials and this makes an important contribution to the conservation of natural resources.



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OUR MATERIALS IN THE PRODUCT RANGE “SUSTAINABLE LUXURY”

We also want to increasingly incorporate the topic of sustainability into our product development. Our approach to this issue is guided by two key concepts. We want to keep the impact of our products on the environment to a minimum and to take greater account of the recycling of our products.



Fabric woven with metal threads: Only European hemp is used for the manufacture of this trim.



Rattan as a material: We do not use wood from tropical forests to produce the surface made of rattan. Optimised production processes also save water and energy.



Technical veneer made of birch and oak: We are experimenting with wood waste in order to conserve wood as a resource. Various luxury wood surfaces with innovative designs are created like this from recycled veneer.



Our wood suppliers also ensure efficient use of raw materials. The process heat required at suppliers for the manufacture of veneer is covered by using waste wood from production. All veneer suppliers have accepted the Code of Conduct and have thereby made a commitment to socially acceptable and environmentally compatible behaviour. The purchased wood originates exclusively from plantations. 83 percent of our veneer suppliers are also FSC certified and therefore verifiably source their wood from sustainably managed forests. Novem is also currently planning an FSC certification. On request from customers, we will therefore be able to offer FSC certified veneer in future.

WASTE AND RECYCLING

The focus in all our process steps is to use materials as efficiently as possible and consequently avoid waste. Furthermore, a top priority is to dispose of waste professionally. Most waste at Novem is generated during surface manufacture. Waste is also created in the offices at Novem sites. This is separated and disposed of selectively in accordance with the appropriate conditions at local level.



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Effective waste management is a fixed component of our Environmental Management System certified in conformity with ISO 14001. This means that annual targets for waste reduction are always linked to the individual locations. Compliance with internal guidelines and statutory regulations governing waste is reviewed each year in the scope of internal and external audits in conformity with ISO 14001. Novem defined the group-wide approach to handling waste in a dedicated guideline on waste management. The basis for the corresponding measures is provided by environmentally based impact assessments at the locations. Our plants have an obligation to take remedial measures if increased risks arise from waste being produced.

Different types of waste are generated in the course of our business activities. These are divided into hazardous, recyclable, landfill and industrial waste. In the reporting year, the volume of our waste amounted to a total of 12,337.6 metric tons. The biggest share of this related to industrial waste. Hazardous waste makes up around 12.8 percent, whereas a total of 23.3 percent can be recycled.

All waste from the Novem Group is disposed of through certified disposal companies in accordance with the relevant requirements in each indi-

vidual country. Increased risks result in particular from handling hazardous waste materials. This is why we make use of the expertise of disposal service providers who take care of the entire process from collection to disposal.

GENERATED WASTE FOR THE NOVEM GROUP

| in metric tons | 2019/20 | 2020/21 |
|--|-----------------|-----------------|
| Hazardous waste (e.g. varnish water, paint and varnish sludge) | 1,532.8 | 1,584.0 |
| Recycling waste | 3,168.7 | 2,872.7 |
| Industrial waste | 6,247.9 | 5,709.0 |
| Landfill waste | 2,219.4 | 2,171.9 |
| Total | 13,168.8 | 12,337.6 |

In Honduras and Mexico, most of the waste generated is deposited in landfill. Since this government regulation is not going to be changed in the near future, Novem strives to give as much waste as possible to recycling firms or to generate energy through thermal incineration.

We also make strenuous efforts to reuse products and packaging materials at the end of their useful life or to return them to the cycle of reusable resources. The transport of our trims to customers is part of this cycle since we use packaging

boxes made of plastic that can be reused over and over again. The corollary with our products is that they are virtually impossible to reuse. However, as far as technically feasible, our waste is given to external recycling service providers and once again returned to the material cycle. We train our employees to conserve resources when they are working in production. Templates and other measuring equipment are used to minimise waste as far as possible in the manufacture of our trims.

Our suppliers are also committed to recycling and reusing materials. A prerequisite for this is consistently maintaining the high level of quality. A good example of this is the plastic granules used at Novem with a share of the material made up of recycled plastic. The aluminium suppliers recycle entirely the aluminium waste incurred in the course of their production process. Part of the aluminium used at Novem is therefore comprised of a proportion of recycled material. However, the significant fluctuations and frequent changes in purchasing relationships mean that it is still difficult to obtain detailed information on the precise proportion of recycled material.



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Fluctuation rate among
senior employees

of **3.4** percent

PEOPLE AT THE FOCUS OF ATTENTION

Novem takes responsibility for its employees across three continents. We are well aware that the potential of a diverse workforce is the key to our success. This is why we offer attractive working conditions and opportunities for people to advance their careers in line with requirements. Our aim is also to contribute to enriching the communities at our locations by supporting selected projects and social engagement at local level.



28

percent of women in
management positions



92

occupational
accidents



37

employees on parental
leave in Germany

↑ ⇌ ↓ Year-on-year change



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DECENT WORKING CONDITIONS

As a company based in Vöhrbach in the Upper Palatinate operating on the global stage, Novem has regional roots and has activities spanning the world. Our most important capital is our employees with their knowledge, their motivation and their commitment. The health and safety of our employees is our top priority. Our commitment to this objective is set out in our corporate policy. We offer all our employees at Novem a working environment based on fairness and trust, irrespective of the location. Our overarching personnel strategy is therefore based on the generally applicable corporate values of the Novem Group: Responsibility, Excellence, Innovation and Commitment.

Our concept for constructive cooperation across all the locations is defined in our Code of Conduct. Human resources at Novem are organised centrally at the Headquarters to safeguard the standards and principles for personnel work in the interests of the Group and decentrally so that all employees can be offered the best possible support and development at local level. Every employee has a defined local contact as a mentor who takes care of all their issues and concerns.

We promote international communication through an annual, worldwide "HR Conference". The objective is to carry out coordinated measures and to learn from each other.

At our locations across the world, we employed a total of 5,717 people in the business year 2020/21. We were able to recruit a total of 803 new employees across all the locations. The fluctuation rate among the senior employees amounted to around 3.4 percent in the reporting year.

EMPLOYEES BY REGION AND GENDER AT THE NOVEM GROUP

| | 2018/19 | 2019/20 | 2020/21 |
|---------------------------|--------------|--------------|--------------|
| Total for Europe | 3,279 | 3,158 | 3,010 |
| Of which female | 43% | 42% | 43% |
| Of which male | 57% | 58% | 57% |
| Total for Americas | 1,991 | 1,953 | 1,958 |
| Of which female | 41% | 41% | 42% |
| Of which male | 59% | 59% | 58% |
| Total for Asia | 746 | 705 | 749 |
| Of which female | 36% | 38% | 37% |
| Of which male | 64% | 62% | 63% |

DIALOGUE AND COMMUNICATION

Our common purpose includes our commitment to collective freedom of association. We therefore promote close cooperation with employee representatives at differing levels. Taking account of employees' interests is anchored in our Code of Conduct and applies equally across all our locations. Over the reporting period, there were no business locations where the right to freedom of association and collective bargaining was infringed or put at risk.

The form of direct and indirect participation of employees at Novem varies depending on the country and location. In Germany, the Works Constitution Act regulates the corporate co-determination of employees. As the overarching body, a Group Works Council represents the interests of the employees at Novem in Germany. We also have trusting cooperation with the individual local Works Councils at each of the locations. The economic situation of the business is regularly discussed at the Economics Committee. Potential changes for the workforce are always discussed with the Works

Council. We provide our employees promptly with information about operational changes that impact on them by posting notifications on the bulletin board and on our Intranet. "NovemNet". In the case of time-limited collective bargaining agreements and company agreements, we approach the contractual party in good time so as to initiate conclusion of new agreements as necessary.

We are also committed to cooperation with employee representatives at our international locations, for example with the unions based in Žalec (Slovenia), Querétaro (Mexico) and Bergamo (Italy). Mutual respect and trust guide our approach and we work towards finding appropriate solutions that properly address issues and challenges jointly for all sides.

ATTRACTIVE EMPLOYER

We offer our employees a working environment that also rewards their performance in financial terms. We provide performance-based compensation systems worldwide by means of bonus systems which we have established in the individual countries. In Germany, for example, around 90 per-

cent of all employees are remunerated under collective bargaining agreements. Furthermore, there are non-payscale components that are intended to take account of the individual operational situations in the departments.

Additional benefits also complement our compensation package. In Germany, we fund the company pension plan for our employees. Furthermore, we also offer them the benefits of a capital accumulator under the collective bargaining agreement. We also take account of the changing needs of our employees and promote a good work-life balance combining career and family. We therefore support flexible working models and offer individual solutions in communication with our employees.

At our international locations, we also provide our employees with remuneration packages that frequently extend beyond the local statutory regulations. For example, Novem enables numerous employees in Mexico and Honduras to take out a health and life insurance. Novem also provides employees in both countries with financial benefits such as a vacation bonus and a special bonus at Christmas in addition to the statutory requirements.

NUMBER OF EMPLOYEES WHO HAVE TAKEN PARENTAL LEAVE AT NOVEM IN GERMANY

| | 2018/19 | 2019/20 | 2020/21 |
|---|--------------|--------------|--------------|
| Number of employees in Germany | 1,380 | 1,360 | 1,309 |
| Of which female on parental leave | 3 | 12 | 12 |
| Of which male on parental leave | 17 | 25 | 25 |
| Total | 20 | 37 | 37 |
| Of which active again as at 31.03.2021 | | | |
| Of which female | 1 | 6 | 0 |
| Of which male | 17 | 25 | 21 |
| Total | 18 | 31 | 21 |



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EMPLOYEE DEVELOPMENT

The employment market is changing permanently, driven among other factors by demographic change and the shortage of skilled labour. We want to prepare our employees for changing conditions in the world of work by the promotion of upskilling through qualification and career development. Basic and further training as part of personnel development is therefore a top priority at Novem. We are countering the shortage of skilled workers by fostering our own home-grown talent.

Our apprenticeship programmes and the packages allowing a twin-track degree course with in-service training enable us to pursue our goal of recruiting newly qualified employees. At our German locations, anybody interested in taking up a vocation can choose between ten different apprenticeship vocations, ranging from media technology to tool-making. Novem also cooperates with the dual universities of applied sciences Mosbach, Gera-Eisenach, OTH Amberg-Weiden and Regensburg with a total of six dual study degree programmes.

The development of our employees is a key issue. This is all about giving colleagues the skills to pursue entrepreneurial goals, while at the same time combining this with the specific development

aspirations of individual employees. Alongside the annual employee appraisal interviews, regular feedback talks are also held at Novem. As part of their discussions, supervisors and their employees identify the necessary areas for action and work together to map out the way forward.

Novem believes that the responsibility for independent career development is with individual employees. Supervisors and the Human Resources Department see themselves as facilitators by making instruments, training courses and feedback talks available. These include, for example, development meetings that enable us to identify employees' career-progression aspirations and agree a plan of action. If there is a corresponding need, we create individually tailored programmes. Novem also wants to prepare its employees for future challenges through continuing education agreements. This enables us to develop competences at an early stage that will be relevant to the career development of our employees later on.

Novem offers individual employees the opportunity to spend some time working abroad at one of our locations outside Germany. This is an enrichment for Novem and also for a large number of

seconded employees. This programme promotes multilocal exchange and also the ongoing personal development of employees. This is because work in a different cultural environment offers employees the opportunity to expand their own horizons and gain an understanding of different ways of working and other ways of solving problems. Furthermore, job rotation gives our employees insights into related areas of work. Novem is thereby making a contribution to the promotion of mutual understanding and cooperation between the different departments.

In Germany, employees at Novem nearing the end of their working careers have the opportunity to take advantage of phased-in retirement. Individual discussions are held to decide whether and how a transitional exit from working life is possible. This process is facilitated by a collective bargaining agreement which allows a certain number of older employees to take early retirement each year.

HEALTH AND SAFETY

We protect the health and safety of our employees through a comprehensive health and safety management system. The topics of workplace safety and health protection throughout the Novem Group are managed by the central EHS Team, which is integrated within Central Quality Management. In addition, each site has an EHS Officer who implements the central objectives and goals.

Novem defined multilocal processes in the guideline for health and safety in order to comply with statutory requirements for health and safety. In future, Novem is planning to introduce a certified occupational health and safety management system in conformity with ISO 45001.

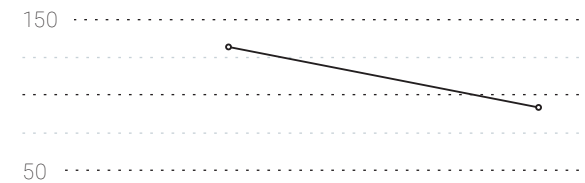
SAFETY IN THE WORKPLACE

We aim to comply with the legal requirements for health and safety. Furthermore, we want to make a contribution to improving systems and taking preventive action to prevent accidents before they happen in the first place. For this reason, Novem established a group-wide uniform process for risk assessment. This is holistically designed

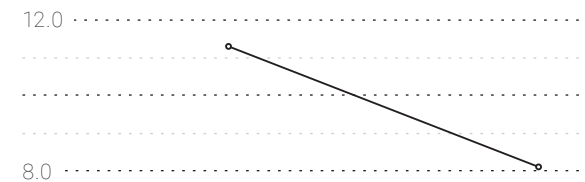
and therefore covers all the key steps. Hazards are determined, the level of risk is assessed and protective measures are defined on the basis of this information. The method is independent of specific national legislation. It can therefore be applied to all Novem locations and it is correspondingly implemented everywhere. We review and update the risk assessments at regular intervals, for example when new work resources are introduced, new conditions come into force in the workplace, in response to accidents or in order to test existing protective measures. At Novem, we focus in particular on the correct handling of hazardous substances such as paints, coatings and finishes.

We consistently integrate all our employees in aspects related to workplace safety. Employees must immediately inform the relevant supervisors about work-related risks and hazardous situations. As part of the occupational safety committee meetings held every three months at our German locations, we provide an opportunity for employee and employer representatives to discuss current issues relating to health and safety. Similar com-

INDICATORS FOR HEALTH AND SAFETY AT THE NOVEM GROUP¹



| | 2019/20 | 2020/21 |
|---|---------|---------|
| Number of occupational accidents with a period of absence | 132 | 92 |



| | 2019/20 | 2020/21 |
|-------------------|---------|---------|
| LTIF ² | 11.3 | 8.1 |

| | 2019/20 | 2020/21 |
|--|---------|---------|
| Number of fatal occupational accidents | 0 | 0 |

¹ for every one million working hours

² Lost Time Injury Frequency

mittee meetings are also held at our international locations. We also provide our employees with training on occupational safety matters at regular intervals. We make use of digital training methods and practical instruction sessions at relevant potential hazard points. The training sessions are prepared and carried out by the relevant EHS departments, partly in cooperation with the specialist departments. Our employees in administration at the company Headquarters receive annual safety briefings.

We ensure that all third-party subcontractors are able to work as safely as possible at Novem sites. A leaflet provides information about all applicable plant-specific regulations with instructions on workplace and plant safety, fire and environmental protection. At the same time, we expect our suppliers to comply with all the statutory and country-specific regulations and plant-specific rules at Novem.

HEALTH PROMOTION

As well as safety in the workplace, we also proactively promote the health of our employees. This is because a work environment that actively fosters the health of employees is a prerequisite for a motivated and capable workforce. The central



building block for this is our integrated Company Healthcare Management (CHM), which extends far beyond the statutory requirements. It comprises numerous measures relating to basic medical care and preventive health measures.

All Novem employees have access to an occupational health service. A Company Doctor is available to them at all our locations. The Company Doctor carries out all functions under the workplace safety laws and participates e.g. in tours of inspection to assess ergonomic conditions. The locations of Querétaro (Mexico) and Tegucigalpa (Honduras) have a medical service that also carries out the functions of basic medical care. During the course of the reporting year, we carried out various health campaigns at our Mexican site in Querétaro, including dental care. At the German sites, flu vaccinations are also offered directly on site through the occupational healthcare service.

During the coronavirus pandemic, we implemented various measures at all our locations in order to protect our employees against the virus. We published internal hygiene regulations, adjusted our workflows to minimise risk and ensured maximum physical distancing at the workplace.



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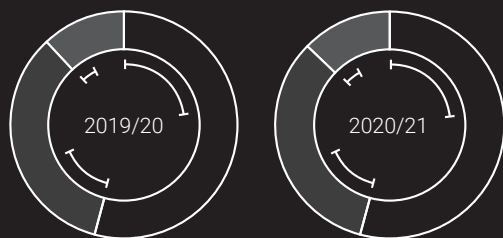
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**PROPORTION OF WOMEN BY REGION
IN THE NOVEM GROUP**



○ Europe ○ Americas ○ Asia
⇐ Of which female

EQUAL OPPORTUNITY AND DIVERSITY

We support a work environment that permits diversity and guarantees equal opportunities and equal treatment, irrespective of ethnic background, skin colour, gender, disability, beliefs, religion, nationality, sexual orientation or social origin. These principles are defined in our Code of Conduct, which provides clear orientation and a framework for action for all employees and partners.

The Novem Group is opposed to any form of discrimination. Every supervisor is urged to be the first point of contact for possible cases of discrimination. Internal and external notifications and infringements can also be reported in confidence using a dedicated hotline or by email to the Compliance Office. Furthermore, any employees affected can consult the relevant Works Council or the central Equal Opportunities Officer. No cases of discrimination were known at Novem in the reporting year 2020/21.

Novem strives to make local appointments to national leadership positions so as to be able to benefit from international diversity. A Leadership

Meeting is held every year to facilitate communication between the different locations. All the managers from the first and second levels take part in this meeting.

We support the principle of equal opportunities and equal treatment, and pay our employees the same remuneration for equivalent work irrespective of gender. Across the world in 2020/21, the proportion of women in the highest level of management at Novem, which reports directly to the Management Board, was around 28 percent. Furthermore, we are committed to encouraging schoolgirls to take up technical vocations. As part of this effort, Novem regularly takes part in Girls' Day.

Inclusion also plays an important role at Novem. During the year under review, we exceeded the statutory quota in Germany for employing people with disabilities by around 33 percent. In Vorchheim, we also cooperated with social services organisation Lebenswerk in Bayreuth to facilitate people with disabilities working at our plant.



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COMMITMENT TO SOCIETY

Novem sees itself as part of society. Consequently, we also want to shoulder responsibility beyond the boundaries of our company and play our part in contributing to the sustainable development of the communities at our locations for the future. We primarily make our contribution to a sustainable society through cash and in-kind donations, but we also get actively involved with the communities we operate in.

Over the past four years, the annual volume for donations and sponsorship amounted to an average of 50,000 euros. In accordance with our Rules of Procedure, all activities must be evaluated and approved by the Management Board.

The focuses for our donations and sponsorship are on the promotion of local and regional facilities, associations and organisations at the individual sites where the company is located. Our mission is to strengthen social, cultural and community life. The donations are generally carried out as financial payments. The supported institutions include nursery school SOS Kinderdorf, the Red Cross, hospitals and public organisations in the local communities such as nurseries, fire brigades and football clubs. In the reporting year, we also

provided 40 laptops for secondary schools in the Upper Palatinate and Upper Franconia with the aim of facilitating digital learning in schools.

NOVEM SALUTED AS "HELPER-FRIENDLY ENTERPRISE"

In 2020, the Bavarian not-for-profit aid organisations, under the patronage of the Bavarian Interior Minister Joachim Herrmann, saluted Novem as a "Helper-Friendly Enterprise". The award salutes companies that actively support the social commitment of their employees. In this case, Novem released its employees during the coronavirus pandemic to make a proactive contribution to helping the Red Cross. As part of the crisis staff, they took care of a number of issues, including procurement of personal protective equipment, organisation of coronavirus tests and setting up a line of tents at Weiden Hospital.



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MATERIAL TOPICS AT NOVEM

| Material Topics | GRI Standards |
|--|--|
| Economic Stability | 201 – Economic Performance |
| Compliance | 205 – Anti-Corruption 206 – Anti-Competitive Behaviour 207 – Tax 307 – Environmental Compliance 419 – Socioeconomic Compliance |
| Procurement and Supply-Chain Management | 204 – Procurement Practices 308 – Supplier Environmental Assessment 407 – Freedom of Association and Collective Bargaining 408 – Child Labour 409 – Forced or Compulsory Labour 412 – Human Rights Assessment 414 – Supplier Social Assessment |
| High-Quality Products and Customer Satisfaction | 416 – Customer Health and Safety 418 – Customer Privacy |
| Transformation Capability | 201 – Economic Performance |
| Energy and Emissions | 302 – Energy 305 – Emissions |
| Water and Effluents | 303 – Water and Effluents |
| Circular Economy | 301 – Materials 306 – Effluents and Waste |
| Decent Working Conditions and Human Rights | 401 – Employment 402 – Labour/Management Relations 407 – Freedom of Association and Collective Bargaining |
| Equal Opportunity and Diversity | 405 – Diversity and Equal Opportunity 406 – Non-discrimination |
| Employee Development | 404 – Training and Education |
| Health and Safety | 403 – Occupational Health and Safety |
| Commitment to Society | 203 – Indirect Economic Impacts |



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GRI CONTENT INDEX

This report has been prepared in accordance with the GRI Standards: “Core” option. The Global Reporting Initiative (GRI) was able to draw on the Sustainability Report 2020/21 for implementation of the GRI Materiality Disclosures Service. The correct positioning of the “Materiality Disclosures” (GRI 102-40 – 104-49) in the report was confirmed by the GRI.



| GRI Standards | | Page | Comment |
|--|--|--------------|--|
| GRI 101: Foundation 2016 | | | |
| GRI 102: General Disclosures 2016 | | | |
| Organisational Profile | | | |
| GRI 102-1 | Name of the organisation | 7/8 | |
| GRI 102-2 | Activities, brands, products and services | 7 | |
| GRI 102-3 | Location of headquarters | 8 | |
| GRI 102-4 | Location of operations | 8 | |
| GRI 102-5 | Ownership and legal form | 7/8 | |
| GRI 102-6 | Markets served | 8 | |
| GRI 102-7 | Scale of the organisation | 6-8 | |
| GRI 102-8 | Information on employees and other workers | 6-8, 32 | |
| GRI 102-9 | Supply chain | 20/21 | |
| GRI 102-10 | Significant changes to the organisation and its supply chain | | In the reporting year 2020/21, there were no significant changes to the organisation and its supply chain. |
| GRI 102-11 | Precautionary principles or approach | 9/10 | |
| GRI 102-12 | External initiatives | 2, 14/15, 40 | |
| GRI 102-13 | Membership of associations | 15 | |
| Strategy | | | |
| GRI 102-14 | Statement from senior decision-maker | 3/4 | |

| GRI Standards | Page | Comment |
|---|-------|--|
| Ethics and Integrity | | |
| GRI 102-16 Values, principles, standards, and norms of behaviour | 9/10 | |
| Governance | | |
| GRI 102-18 Governance structure | 13/14 | |
| Stakeholder engagement | | |
| GRI 102-40 List of stakeholder groups | 15 | |
| GRI 102-41 Collective bargaining agreements | 33 | |
| GRI 102-42 Identifying and selecting stakeholders | 14/15 | |
| GRI 102-43 Approach to stakeholder engagement | 14/15 | |
| GRI 102-44 Key topics and concerns raised | 14/15 | |
| Reporting Practice | | |
| GRI 102-45 Entities included in the consolidated financial statements | 2 | |
| GRI 102-46 Defining report content and topic boundaries | 15 | |
| GRI 102-47 List of material topics | 39 | |
| GRI 102-48 Restatements of information | | There was no cause to restate information as this is the first sustainability report published by the Novem Group. |
| GRI 102-49 Changes in reporting | | There were no changes in reporting as this is the first sustainability report published by the Novem Group. |
| GRI 102-50 Reporting period | 2 | |
| GRI 102-51 Date of most recent report | | This is the first Sustainability Report published by the Novem Group. |
| GRI 102-52 Reporting cycle | | No definitive statement can be made on this yet. |
| GRI 102-53 Contact point for questions regarding report | 48 | |
| GRI 102-54 Claims of reporting in accordance with GRI Standards | 2, 40 | |
| GRI 102-55 GRI Content index | 40-47 | |
| GRI 102-56 External assurance | | Contents were not externally assured. |

| GRI Standards | Page | Comment |
|--|------|---|
| Material Topics | | |
| GRI 201: Economic Performance 2016 | | |
| GRI 103: Management Approach 2016 (including GRI 103-1, 103-2, 103-3) | 17 | |
| GRI 201-1 Direct economic value generated and distributed | 17 | |
| GRI 203: Indirect Economic Impacts 2016 | | |
| GRI 103: Management Approach 2016 (including GRI 103-1, 103-2, 103-3) | 38 | |
| GRI 203-1 Infrastructure investments and services supported | 38 | |
| GRI 205: Anti-corruption 2016 | | |
| GRI 103: Management Approach 2016 (including GRI 103-1, 103-2, 103-3) | 11 | |
| GRI 205-2 Communication and training about anti-corruption policies and procedures | 11 | |
| GRI 206: Anti-competitive Behaviour 2016 | | |
| GRI 103: Management Approach 2016 (including GRI 103-1, 103-2, 103-3) | 11 | |
| GRI 206-1 Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices | | In the reporting year 2020/21, there were no legal proceedings in relation to anti-competitive conduct, antitrust and monopoly formation. |

| GRI Standards | Page | Comment |
|--|-----------|--|
| GRI 207: Tax 2019 | | |
| GRI 103: Management Approach 2016 (including GRI 103-1, 103-2, 103-3) | 12 | |
| GRI 207-1 Approach to tax | 12 | |
| GRI 207-2 Tax governance, control, and risk management | 12 | |
| GRI 207-3 Stakeholder engagement and management of concerns related to tax | 11/12 | |
| GRI 207-4 Country-by-country reporting | | We do not report any country-by-country information, since this data is not available for 2020/21. |
| GRI 301: Materials 2016 | | |
| GRI 103: Management Approach 2016 (including GRI 103-1, 103-2, 103-3) | 23, 28-30 | |
| GRI 301-1 Materials used by weight or volume | 28 | |
| GRI 302: Energy 2016 | | |
| GRI 103: Management Approach 2016 (including GRI 103-1, 103-2, 103-3) | 23-25 | |
| GRI 302-1 Energy consumption within the organisation | 24 | |
| GRI 302-3 Energy intensity | 24 | |
| GRI 303: Water and Effluents 2018 | | |
| GRI 103: Management Approach 2016 (including GRI 103-1, 103-2, 103-3) | 23, 26/27 | |
| GRI 303-1 Interactions with water as a shared resource | 26/27 | |
| GRI 303-2 Management of water discharge-related impacts | 26/27 | |
| GRI 303-3 Water withdrawal | 26 | |
| GRI 305: Emissions 2016 | | |
| GRI 103: Management Approach 2016 (including GRI 103-1, 103-2, 103-3) | 23-25 | |
| GRI 305-1 Direct (Scope 1) GHG emissions | 25 | |
| GRI 305-2 Energy indirect (Scope 2) GHG emissions | 25 | |
| GRI 305-4 GHG emissions intensity | 25 | |

| GRI Standards | Page | Comment |
|---|-----------|---|
| GRI 306: Waste 2020 | | |
| GRI 103: Management Approach 2016 (including GRI 103-1, 103-2, 103-3) | 23, 28-30 | |
| GRI 306-1 Waste generation and significant waste-related impacts | 29/30 | |
| GRI 306-2 Management of significant waste-related impacts | 29/30 | |
| GRI 306-3 Waste generated | 30 | |
| GRI 307: Environmental Compliance 2016 | | |
| GRI 103: Management Approach 2016 (including GRI 103-1, 103-2, 103-3) | 10/11 | |
| GRI 307-1 Non-compliance with environmental laws and regulations | | In the reporting year 2020/21, there was no non-compliance in relation to environmental laws and regulations. |
| GRI 308: Supplier Environmental Assessment 2016 | | |
| GRI 103: Management Approach 2016 (including GRI 103-1, 103-2, 103-3) | 20/21 | |
| GRI 308-1 New suppliers that were screened using environmental criteria | 20/21 | |
| GRI 401: Employment 2016 | | |
| GRI 103: Management Approach 2016 (including GRI 103-1, 103-2, 103-3) | 32/33 | |
| GRI 401-1 New employee hires and employee turnover | 32 | |
| GRI 401-3 Parental leave | 33 | |
| GRI 402: Labour/Management Relations 2016 | | |
| GRI 103: Management Approach 2016 (including GRI 103-1, 103-2, 103-3) | 32/33 | |
| GRI 402-1 Minimum notice periods regarding operational changes | 32/33 | |



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| GRI Standards | Page | Comment |
|---|-------|--|
| GRI 403: Occupational Health and Safety 2018 | | |
| GRI 103: Management Approach 2016 (including GRI 103-1, 103-2, 103-3) | 35/36 | |
| GRI 403-1 Occupational health and safety management system | 35/36 | |
| GRI 403-2 Hazard identification, risk assessment, and incident investigation | 35/36 | |
| GRI 403-3 Occupational health services | 36 | |
| GRI 403-4 Worker participation, consultation, and communication on occupational health and safety | 35/36 | |
| GRI 403-5 Worker training on occupational health and safety | 35/36 | |
| GRI 403-6 Promotion of worker health | 36 | |
| GRI 403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships | 36 | |
| GRI 403-8 Workers covered by an occupational health and safety management system | 35/36 | |
| GRI 403-9 Work-related injuries | 35 | |
| GRI 404: Training and Education 2016 | | |
| GRI 103: Management Approach 2016 (including GRI 103-1, 103-2, 103-3) | 34 | |
| GRI 404-3 Percentage of employees receiving regular performance and career development reviews | | The percentage of employees who receive a performance and career development review on a regular basis is currently not available. |
| GRI 405: Diversity and Equal Opportunity 2016 | | |
| GRI 103: Management Approach 2016 (including GRI 103-1, 103-2, 103-3) | 37 | |
| GRI 405-1 Diversity of governance bodies and employees | 37 | |
| GRI 406: Non-discrimination 2016 | | |
| GRI 103: Management Approach 2016 (including GRI 103-1, 103-2, 103-3) | 37 | |
| GRI 406-1 Incidents of discrimination and corrective actions taken | 37 | |



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| GRI Standards | Page | Comment |
|---|-------|---------|
| GRI 408: Child Labour 2016 | | |
| GRI 103: Management Approach 2016 (including GRI 103-1, 103-2, 103-3) | 20/21 | |
| GRI 408-1 Operations and suppliers at significant risk for incidents of child labour | 20 | |
| GRI 412: Human Rights Assessment 2016 | | |
| GRI 103: Management Approach 2016 (including GRI 103-1, 103-2, 103-3) | 20 | |
| GRI 412-1 Operations that have been subject to human rights reviews or impact assessments | 21 | |
| GRI 414: Supplier Social Assessment 2016 | | |
| GRI 103: Management Approach 2016 (including GRI 103-1, 103-2, 103-3) | 21 | |
| GRI 414-1 New suppliers that were screened using social criteria | 21 | |
| GRI 416: Customer Health and Safety 2016 | | |
| GRI 103: Management Approach 2016 (including GRI 103-1, 103-2, 103-3) | 18/19 | |
| GRI 416-1 Assessment of the health and safety impacts of product and service categories | 18/19 | |



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| GRI Standards | | Page | Comment |
|---|--|------|--|
| GRI 418: Customer Privacy 2016 | | | |
| GRI 103: | Management Approach 2016 (including GRI 103-1, 103-2, 103-3) | 19 | |
| GRI 418-1 | Substantiated complaints concerning breaches of customer privacy and losses of customer data | | In the reporting year 2020/21, there were no substantiated complaints in relation to violation, protection or loss of customer data. |
| GRI 419: Socioeconomic Compliance 2016 | | | |
| GRI 103: | Management Approach 2016 (including GRI 103-1, 103-2, 103-3) | 11 | |
| GRI 419-1 | Non-compliance with laws and regulations in the social and economic area | | In the reporting year 2020/21, there were no instances of non-compliance with social and economic laws and regulations. |



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