

carcoustics

Sustainability Report 2020

2540
Employees

20
Locations worldwide

Europe

- | | |
|---|---|
|  Austria
Klaus
Rankweil |  Germany
Leverkusen
Haldensleben
Wolfsburg |
|  Belgium
Genk |  Poland
Wroclaw |
|  Spain
Valencia |  Slovakia
Novaky
Senec |
|  France
Paris | |

11
Countries on 3
Continents

America

- | | |
|--|--|
|  United States
Troy/Howell
Buford |  Mexico
Querétaro
San Miguel de Allende |
|--|--|

Asia

- | | |
|--|---|
|  China
Langfang
Shanghai
Shenyang |  Japan
Tokyo |
|--|---|

-  Production
-  Sales
-  Research & Development

>20

Years of Automotive
Experience

6

Manufacturing
processes

Member of the

DARE 德迩集团
GROUP

>1500
Materials

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Foreword

Dear readers,

2020 has been a year full of challenges. Not only did we introduce a new strategy and organization for Carcoustics but we were also confronted with major external influences among which of course the global Covid-19 pandemic and the resulting economic slowdown were the most significant.

Being strongly dependent on automotive manufacturers, Carcoustics was impacted by the drastic decline in demand for cars and commercial vehicles, forcing us to slow production and close some of our plants for a limited amount of time. In response we quickly set up a company-wide task force that has been monitoring the situation on a global basis and taking measures.

To protect our employees from possible infections, the team established a global behaviour guideline for the Carcoustics Group and is in close contact with the local management teams on site to provide necessary measures and regulations and adapt whenever necessary. The numbers of infections are reported up to date to the central team and employees are informed about the current situation on a weekly basis or whenever necessary.

Simultaneously we have worked out a new strategy „Carcoustics 2025“ to adapt to the changing environment and automotive sector. With the new strategy, we are convinced to be well positioned to achieve a great and sustainable growth in all relevant automotive markets. Our goal is to further establish our company as a global technology and quality leader in thermal, acoustical and electromagnetic insulation.

Within this strategy there is also a clear focus on our corporate social responsibility, which is not limited to a new customer product segment for New Energy Vehicles and its influence on our business activities. Sustainability aspects are taken into account in all major business processes, especially in regards of optimizing our production processes and materials. A new position in quality management was formed to collect and evaluate all relevant data and the resulting potentials for our strategy and investments. This data is also the foundation for this and future sustainability reports, which are going to be prepared in accordance to the common frameworks.

We have started and will further continue on improving our sustainability in all areas of the company.

This report keeps you informed about the progress we have made in the year of 2020.

Enjoy reading and stay healthy!



Kind regards,
Kai Uwe Frühauf
Chief Executive Officer

INTRODUCTION

The Company

Carcoustics is an innovative, medium-sized company on a course of international growth. The company develops and produces acoustically and thermally effective components for the automotive and commercial vehicles industry as well as parts with regard to electromagnetic insulation. People may not be aware of Carcoustics' products, yet without them passenger cars and commercial vehicles would be so noisy that we would certainly miss these insulating and damping materials. But we are not only good at insulating engines and making loud things quiet. Our core competence lies in the ability of our experts to use their precise knowledge of different technologies and materials to find other uses for insulating products. By combining, forming and reworking materials, we create products that offer the very best combination of price, performance and quality.



Carcoustics brings together the concentrated expertise of central research centers in Europe, Asia and the USA, and a manufacturing structure that allows it to be in close proximity to our customers in

all major automotive markets. This means we can quickly and efficiently make the best benefits of new innovations available worldwide. Carcoustics' many customers include major automotive and commercial vehicles manufacturers.



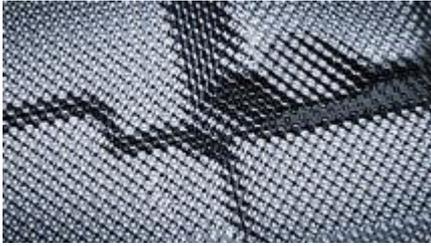
The company's success is attributed to the individual contributions made by each and every one of its 2.500 employees, both at the location of headquarters in Leverkusen, Germany, and its 19 other locations in Europe, Americas and Asia.

Technologies

We are independent from raw materials and working with six different production technologies: Thermoforming, Aluminumforming, PU Foaming, Die Cutting, Vacuumforming and Blow Molding. Thereby we are very flexible in the development of products and the according production processes. We are thus able to always find the best solution for the individual specifications of the customer. Our products and module solutions find the best combination of price, performance and quality.

Our development competence is bundled in our Innovation & Product Technology and Process Engineering departments all over the world, existing of experts in the areas of acoustics, thermodynamics, electromagnetic compatibility, prototyping, testing, automaization and many more.

Aluminumforming:



Carcoustics' aluminum components such as heat shields and structural parts are used in large numbers in automotive applications. Thanks to many years of experience in manufacturing and innovations, the individual requirements of our customers can be met.

PU-Foaming:



Using polyurethane (PUR) and complementary materials, Carcoustics develops solutions that meet the complex requirements of intelligent and consumption-reducing insulation – such as noise insulation while simultaneously reducing weight.

Thermoforming:



Thermoforming is perfectly suited for producing acoustically and/or thermally effective components for e.g. paneling. By combining different materials, further functions such as structural load-bearing capacity, robustness and optical properties of the surfaces can be integrated into the component.

Blow Molding:



When acoustical or thermal components require special geometric structures – for stiffening or sound absorbing resonators, for example – blow molded polyurethane is often the best solution. Carcoustics is currently using the blow molding technology primarily for engine and transmission enclosures in commercial vehicles.

Die Cutting:



Several hundred materials specifically adapted to the application are used for Die Cutting, which are processed into several thousand different parts. This makes it possible to find the right solution for almost every problem.

Vacuumforming:



The range of vacuum-formed products includes not only classic single-layer components but also hollow bodies and assemblies. Carcoustics plays a pioneering role in the Twin Sheet process. Using this special process, a highly automated manufacturing facility can produce particularly lightweight and flexible ducts which improve acoustics in the passenger compartment.

Core Competencies



The major challenges of the global OEMs at the same time are weight reduction, comfort improvement, increasing efficiency / reducing emissions, total cost reduction, global platforms with high model capacity and innovative solutions for powertrains as well as electromagnetic compatibility in the whole vehicle. Carcoustics' core competencies are making loud things quiet, heavy things light, voluminous things compact, hot things cold, wet things dry or find the optimum between flexible and rigid. By this, the company meets the named challenges and comes to customer-oriented solutions which include innovative solutions to reduce weight, improvement of interior acoustic, improved thermo management for better fuel economy, customized solutions for hybrid and fully electric vehicles, global production with several batch sizes just in time as well as competitive pricing, fast delivery and high quality.

Product Solutions

Carcoustics applies its design and manufacturing expertise to a wide range of applications and industries. Our innovative solutions can be found wherever there is a need for reliable, effective products for

acoustical, thermal and electromagnetic insulation. Carcoustics supports its customers every step of the way, from identifying the problem to finding the perfect combination of materials and processes.

Automotive Solutions



Our innovative products are used for vehicle exteriors, interiors, chassis and powertrains in all automotive sectors, from premium brands to price conscious, high-volume manufacturers. We are experts in the area of electromagnetic compatibility and benefit from the megatrends light weight, electrification, autonomous driving and environmental friendliness. They increase the demand for our composite solutions - whether it is the insulation of an electric drive, a battery or a safety device. But our expertise is also applied to acoustic components in the interior.

Commercial Vehicles



Large vehicles need a large drive train. The noise emission follows suit. At the same time, these vehicles are used much more consist-

ently than private cars. All in all, this results in some of the most interesting challenges for the Carcoustics experts. Modern trucks for example are also a workplace, and their ergonomic design can have a direct impact on road safety. Drivers have to stay alert during long hours at the wheel, so it is important that their trucks are fitted with the right noise-reduction components. Our components in the engine compartment and beneath the drive train are designed to ensure that the vehicle complies with today's strict regulations on noise emissions and additionally provide first-class thermal insulation.

Protective Solutions



Carcoustics' greatest strengths include an innovative spirit and flexibility. As a manufacturer of customer-oriented, individual solutions, we are used to reacting quickly and effectively to special requirements. The Corona crisis also presented the world with very special requirements - and Carcoustics responded: For a limited time we produced masks and partition walls and supported the production of face shields as part of a collaboration project.

Trends in the automotive and commercial vehicles industry

Electrification

Contrary to the assumption that vehicles powered by alternative drive systems need fewer acoustical and thermal components, the opposite is actually true: The direct impact of thermal management on the performance and range of electric motors and batteries provides even more scope for Carcoustics products than vehicles with traditional combustion engines. In addition, the reduced engine noise extends the need for acoustic solutions to suppress rolling and ambient noises while electromagnetic shielding is needed for the growing number of electronics built into modern vehicles.



Autonomous Driving



Although still a long way to go, the market is steadily moving towards autonomous driving which will change the way we think about passenger and freight transportation. Long distance journeys will be used for productive work or recreational time, creating new requirements for the passenger compartment in terms of ergonomics and comfort. Carcoustics products not only assist with the noise and thermal management in this regard, but also with the insulation of cameras and sensors to make this futuristic technology become reality.

Sustainability

The continuously growing world population comes with an accompanying growth in demand for consumer products and individual transportation. Providing these commodities while ensuring future generations will be able to do so as well poses a great challenge to industries and societies as a whole. Carcoustics contributes to taking on this challenge by committing to reduce the carbon footprint of our products and business activities while also reducing waste generation and increasing the use of recycled materials. In addition, the lightweight characteristics of our products help reducing the noise and pollutant emissions of our customers' products during their time of utilization.



Strategy

As part of developing our strategy, we have set an initial objective that we want Carcoustics to achieve. This objective is reflected in our vision that by the year 2025, a motivated and multicultural team will have established Carcoustics as the global technology and quality leader in thermal, acoustical and electro-magnetic insulation solutions and ensure sustainable and profitable growth in all relevant automotive markets – for the benefit of our customers. During the process of building our vision, we defined four key characteristics:

A global organization with regionally located and decentralized responsibilities

Being close and always approachable to our customers is a high priority in Carcoustics' business strategy. Therefore, we have locations in all relevant regions in Asia, the Americas and Europe, creating regional hubs with all the relevant technical, development and sales departments to ensure quick adaption to local circumstances. Regional strategies are being developed and pursued to drive sustainable growth, with our regional executives, plant managers and employees taking responsibility within our approach of "Trust & Responsibility".

Innovation and solution focus to create higher customer value

Carcoustics seeks to move from being a predominantly build-to-print

manufacturer (developing components for existing vehicles) to being design-to-build experts. This will put the company in a position to be involved in the customer's pre-series production development phase and work on our components in parallel with the development of the vehicle.

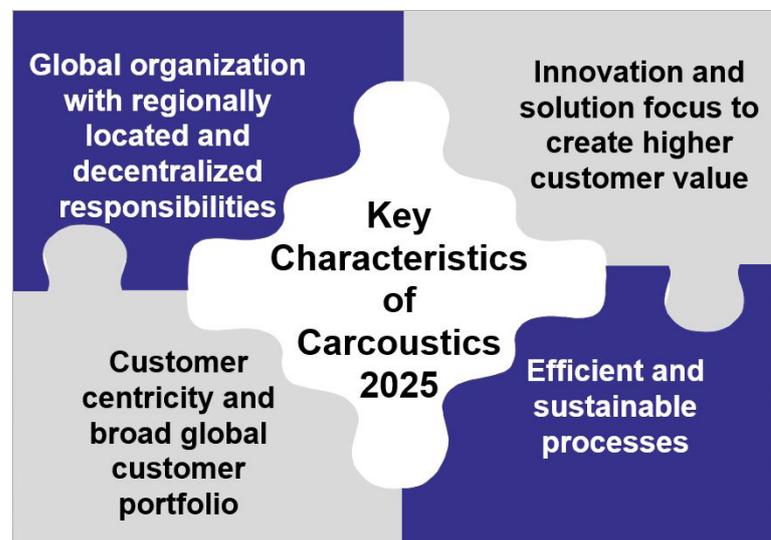
Efficient and sustainable processes

To counter the persistent cost pressure on the automotive supplier industry, Carcoustics is consistently improving the efficiency of all processes, in both production and administration. To achieve this, we are not only focusing more strongly on automation and digitalization, but also on making our business more sustainable. Therefore we are continuously analyzing our in-house production processes and the materials we use to identify potential ways of improving. Besides playing a part in achieving global climate targets, the results also mean an improved

position in the market because our customers are increasingly demanding sustainable processes and products from their suppliers.

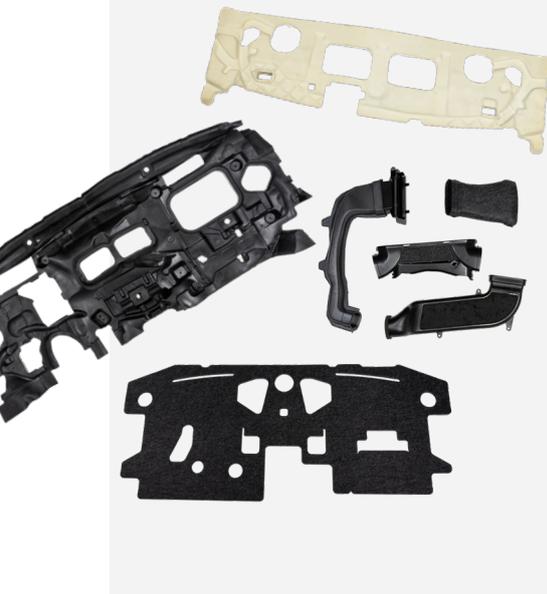
Customer centricity and broad global customer portfolio

By organizing into Customer Product Segments (CPS), Carcoustics is now reflecting the structure adopted by its customers, which focuses on different applications in the vehicle. To pursue this approach, we have dissolved our Business Units and replaced them with a four-part structure you can trace below. In all four CPS the focus is on achieving significant growth by acquiring new orders. The sales organization has been adapted accordingly with the creation of a new group function.



1. Interior Solutions:

The interior of a car is the key factor for the passengers' comfort – and the well-being during a journey. The sound, the touch, the smell, the haptics: They all have a very direct impact on the passenger's experience. The CPS Interior Solutions focuses on optimizing the customers' interior equipment especially regarding acoustical and thermal requirements and thereby improving the passenger's driving experience and comfort.



2. Exterior Solutions:

You may not be aware of the products needed for optimizing the exterior of a car. But a passenger car's equipment in this area is essential for protecting the car from outer influences coming from the road, the thermo management and acoustical insulation of the whole vehicle, as well as to optimize its crash management. Carcoustics' products in the CPS Exterior Solutions provide support in all relevant topics and thereby greatly contribute to the passenger's safety and well-being.



3. Powertrain Solutions:

The powertrain is the heart of a vehicle and not only essential for driving at all, but also essential for driving safely and sustainably. On the other hand it also sets up various requirements regarding noise, vibration and harshness topics. Our Segment Powertrain Solutions provides products and optimization for the whole engine bay area. Its focus lies on acoustical and thermal solutions for the engine compartment and all drives.



4. New Energy Vehicles:

Mobility concepts are transforming. Due to the omission of classic combustion engines in e.g. electric vehicles, different noise sources become much more present and thereby the need for acoustic insulation in these areas increases. Additionally, electric drive units generate whole new sets of electromagnetic fields in a vehicle. Another topic is the thermo management in the passenger compartment as well as around the battery and in the control units. All these aspects are worked on to extend the range of NEVs which goes along with lightweight construction.



SUPPLY CHAIN & PRODUCTION



Thomas Sundermann
Chief Commercial Officer

The year 2020 was marked by a strong impact of the Covid-19 pandemic on the global automotive industry. Many of the leading OEMs had to suspend production for some time due to declines in demand. Carcoustics also felt the impact of this development due to its heavy dependence on this industry and had to scale down its production and suspend it at some sites. Even though demand recovered in the second half of the year, it was not enough to compensate for the losses. Nevertheless, Carcoustics managed to limit the negative effects and to survive the pandemic relatively well. At the same time as these unusual circumstances, the automotive industry continues to undergo its fundamental transformation to alternative powertrains and sustainable production processes. For this project, it is necessary that the entire supply chain follows the same principles and implements the concept of sustainable development in corporate practice. Carcoustics therefore requires compliance with this guiding principle in addition to strict adherence to human, labor and environmental rights for potential business relationships. In order to set a good example, we are striving for certification of many relevant integrated management systems. In 2020, we have already driven this forward at our German sites with ISO 50001 certification, which we intend to extend to all of our locations.

PURCHASING AND SUPPLY CHAIN



The Carcoustics team for Global Purchasing and Supply (GPS) is globally responsible for all our Production Material (PM) as well as the Non Production Material (NPM). For Production Material and machines as well as tools there is a defined strategy for all of our locations. This strategy includes that all of Carcoustics' suppliers for Production Material need to be evaluated – before they are commissioned and regularly during the duration of the cooperation. The assessment of the environmental management system and the distance to the respective Carcoustics location is one aspect of the supplier evaluation.

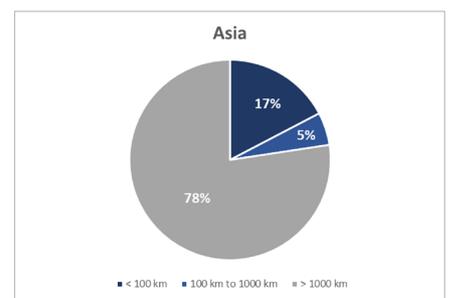
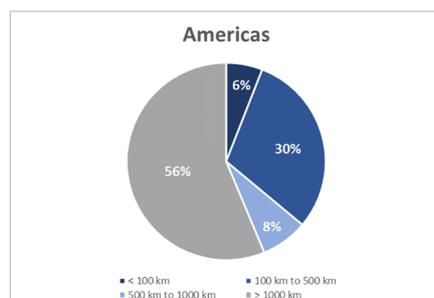
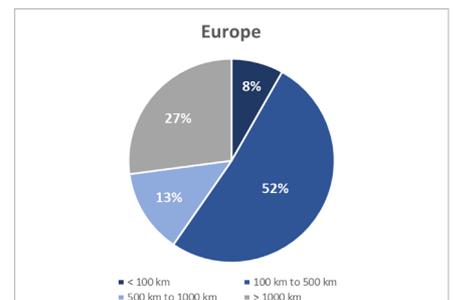
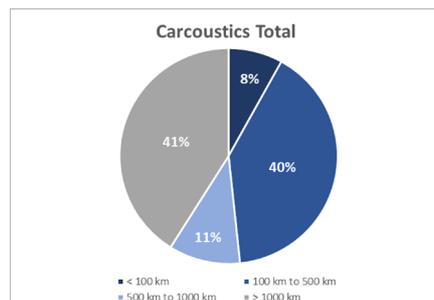
Furthermore, all of Carcoustics' suppliers (as well as employees, Compliance, ...) are scanned regarding the export control regularly: A tool automatically scans any changes in the supplier list as well as in the official, public sanction lists and matches the lists with each other. By this it is made sure that none of the

suppliers is listed in a sanction list. The purchasing conditions give a guideline for all Carcoustics suppliers. These conditions include that the company only buys from suppliers who:

- Respect human rights: no human trafficking, no forced or child labor, no discrimination, freedom of association
 - Respect labor law: binding to collective agreements, fulfilment of working time, safety and payment and neither corruption nor bribery
 - Respect environmental laws (economical use of resources, recycling)
 - Respect all Compliance principles, especially Anti-Corruption, export control and antitrust
- In 2020 Carcoustics did not register

any breaches of these conditions by any of its suppliers. Nevertheless in all supplier evaluations and assessments these are core topics. If a supplier does not meet these requirements the cooperation will be stopped as soon as possible.

As a part of the CSR, Carcoustics is trying to reduce the emissions generated by the transport of its production material. To have a first indication, the distance of the suppliers to the production plants is displayed for all relevant regions:



PRODUCTION & ADDED VALUE

Policy

The framework of the Carcoustics Quality - Environmental and Occupational Health & Safety Management System is the corporate policy.

The entire Carcoustics Group is committed to the policy and its synchronized target setting.

Within the yearly management reviews, its adequacy and validity is checked by the top management. In addition to the comprehensive expectations of the automotive industry in regards of compliance and environmental protection, we as Carcoustics hold ourselves to the same standards

as our suppliers and try to set a good example by exceeding them.

Certified Management Systems

The certified Carcoustics Integrated Management System (IMS) contains the following norms and standards:

Management System	Standard / Norm	3 rd party certification	Certification scheme/scope	Pct. of workers covered
QMS Quality Management System	IATF 16949:2016	TÜV Rheinland Cert GmbH	Corporate	100%
EMS Environmental Management System	DIN EN ISO 14001:2015	TÜV Rheinland Cert GmbH	Corporate	100%
OH&S Occupational Health & safety	ISO 45001:2018	TÜV Rheinland Cert GmbH	Corporate	100%
EMS Energy Management System	ISO 50001:2018	TÜV Rheinland Cert GmbH	German facilities	12%
ISMS Information Security Management System (in implementation)	TISAX (VDA ISA)	TÜV Rheinland Cert GmbH	Corporate ISMS Individual local TISAX scopes and labels	100%

RESOURCES & EMISSIONS



Dirk Pérez

Officer Global Quality &
Environment

Despite the economic impact of the Corona pandemic, Carcoustics has not lost track of its long-term goal to make our business activities more sustainable and environmental friendly. However the strong decline in sales had a massive impact on revenue-based performance indicators such as the intensity figures, which are therefore not as expressive as in past reporting periods. In addition Carcoustics had to put up with pandemic-related inefficiencies to protect our employees and keep production running, such as limiting the amount of workers at the machines and leaving them on to avoid long, energy-consuming warm-up processes. Nevertheless we still registered some progress in different areas, as our scrap rate was pushed to an all-time low and we improved in tracking our carbon footprint. For the upcoming year we plan to extend our cooperation with recycling companies to improve the usability of the materials used for our products and to avoid waste. In addition we will focus on extending the scope of our emission calculations and increase the share of renewable energies used to generate the electricity needed for our production processes.

Environmental Aspects within the Carcoustics Group

Within the defined scope of the Integrated Management System, Carcoustics determines the environmental aspects for:

- **Pre-operational aspects**

- Suppliers & purchased goods (e.g. components, machines, materials, etc.)

- **Direct operational aspects,**

- Input of resources (e.g. energy, water, etc.)

- Emissions (e.g. noise, dust, solvent, CO₂ e, etc.)

- Sewage water

- Waste

- **Post-operational aspects**

- During usage of products

- Post usage of products

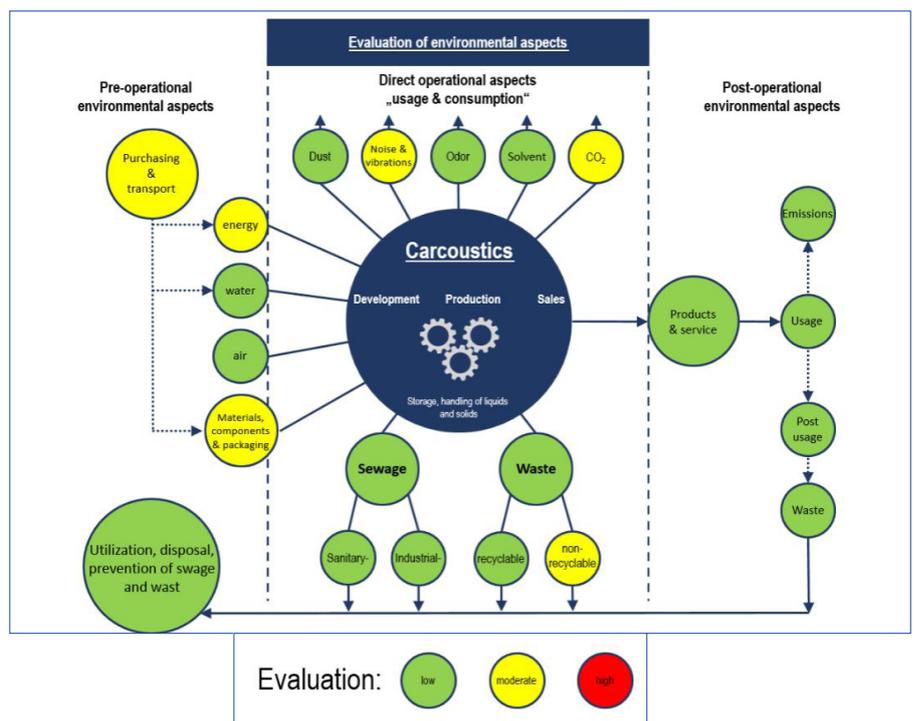
A re-evaluation of all aspects is part of the yearly Environmental Management Review and also as basis for the environmental improvement programs.

The illustration below shows the current status of the overall evaluation of environmental aspects on a corporate level with the following classification:

"low" means little environmental impact and no urgent measures requested

"moderate" means some impact and measures must be determined within improvement plan

"high" means a lot environmental impact and immediate measures must be determined



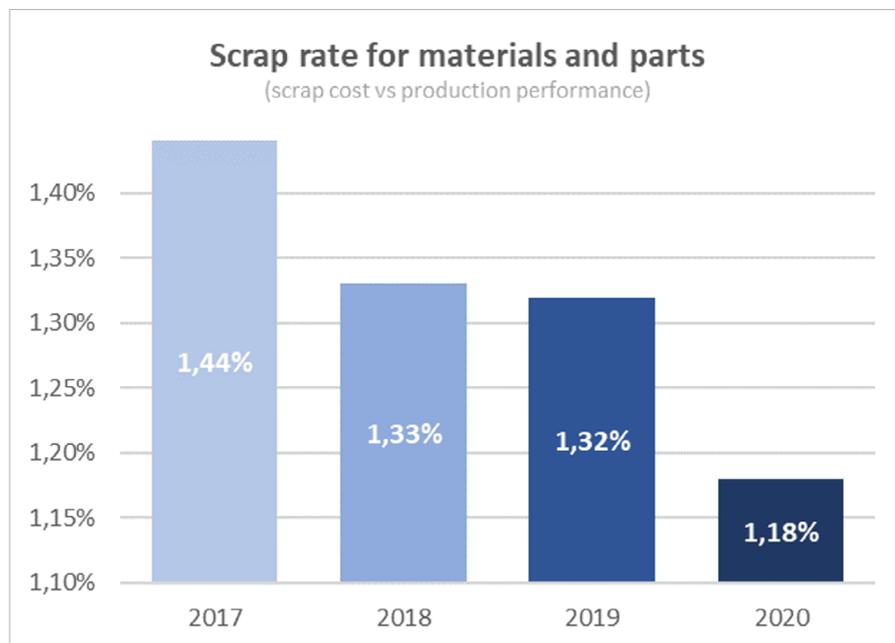
KPIs of relevant Environmental Aspects within Carcoustics Group

Material usage

The optimum material usage is a key factor for all Carcoustics products and processes because economical and environmental aspects are connected. From the early stages of the product and process development, computer aided technologies are used to create the best possible material usage and to avoid waste and scrap.

all-time low of 1,18% for scrap rate in 2020, surpassing our target of 1,28%. In the upcoming years we plan to maintain this low level while incorporating new, innovative and greener materials and production technologies.

processes and machines, especially for heating of materials and tools. As of 2020, about 30% of the electricity obtained is from renewable energy sources other than nuclear energy. However, we are working closely with our partners at the local energy providers to up this figure and/or increase the portion generated directly at our plants via photovoltaic systems.



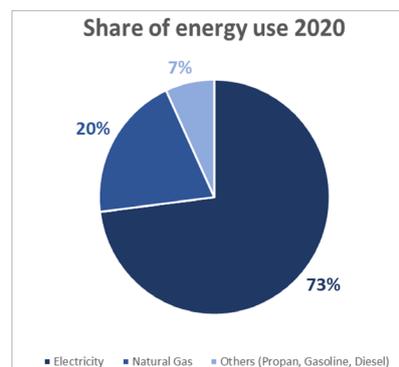
Natural gas is the second biggest energy source used on Carcoustics group level containing 20% of total energy use. It is mainly used for the heating of buildings.

Other energy sources amount to less than 7% of the total energy use and include liquefied petroleum gas (LPG) used for forklift vehicles and diesel or gasoline for the operation of our company cars.

In serial production Carcoustics is running continuously QIP projects (Quality Improvement Projects) to reduce the internal and external scrap rates. This QIP projects are staffed with multidisciplinary members, led by highly qualified specialist from Quality or Lean Management departments, using state of the art problem solving and improvement techniques, like Six Sigma, PDCA and DoE.

The continued use of this approach made it possible to achieve a new

Overall energy usage



Making up 73% of the total energy consumption, electricity is the major energy source used at Carcoustics. The highest portion of electric energy is used for production

Energy use Indicator

To initiate and control a continuous improvement process and reduce overall energy consumption, Carcoustics is monitoring various energy use KPIs, e.g. measuring the energy demand in annual kWh per 1 Mio € Turn Over Finished Goods. Apart from possible impacts of unusual circumstances we aim to reduce our energy consumption by at least 2% per year. Measures to achieve this target are defined in all factory sites, led by plant managers and local „energy saving teams“.

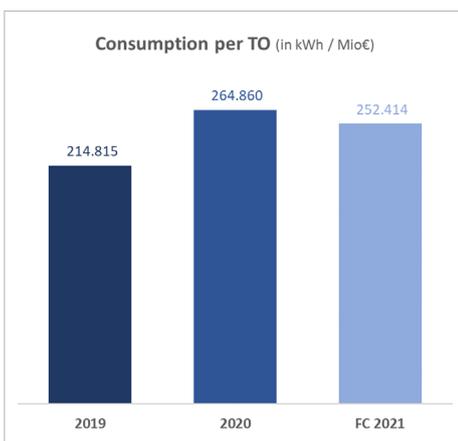
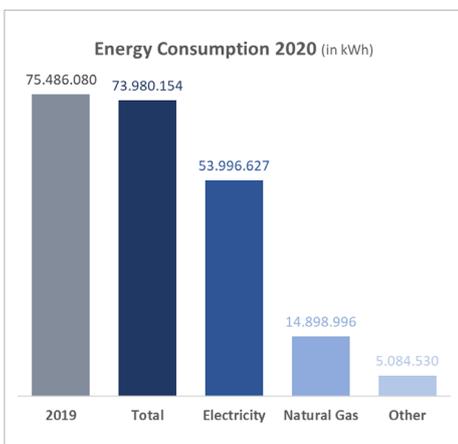
The results of improvement projects and best practice are shared within the Carcoustics group.

In 2020 the Corona pandemic forced us to take several measures with lower energy efficiency to protect our employees from possible infections and keep production running. Limitations in employment density at the machines and no-load operations to avoid even less efficient warm-up processes, coupled with the decline in sales led to significantly worse but not as expressive key figures. Our short term goal is to reach pre-pandemic levels by 2022 and continue our progress from the previous years by investing in on-site electricity generation and saving measures.

	2020	2019	change
Scope 1 Emissions	4210	4100	+2,7 %
Natural Gas (in to CO ₂)	2980	3097	-3,8 %
Vehicle fuel (in to CO ₂)	1230	1002	+22,7 %
Scope 2 Emissions	23165	20150	+15,0 %
Electricity (in to CO ₂)	23165	20150	+15,0 %

Driven by the responsibilities and obligations that come with our position in the global automotive supply chain, Carcoustics is working intensively on the expansion of the scope of our emission calculation. As of 2020 we are able to reliably report the direct (scope 1) and indirect (scope 2) emissions related to our business activities and energy purchases, which are going to be third party verified from the coming year. Likewise, we are also planning on including first elements of our up- and downstream emissions (scope 3), starting with business travel, employee commuting and transportation and distribution. Our long-term goal is to continuously expand the list of considered elements and report scope 3 emissions using the widely recognized GHG protocol.

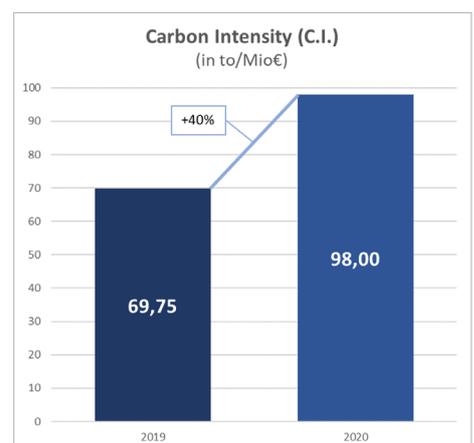
goods and employees, indirect emissions from scope 1 & 2 are not evaluated in 2020 but will be considered within future CO₂ footprints. Due to our core competencies of developing and supplying „light-weight“ products, Carcoustics contributes positively to the weight reduction of vehicles and thus their CO₂ emission during usage. This is also true for our products in new energy vehicles (NEVs), where the battery pack alone can weigh up to one fourth of the vehicles total mass and therefore increases the need for light-weight construction of the body. 2020 intensity figures, which serve as normalized impact data for performance tracking and comparison,



CO₂ footprint

Carcoustics is committed to continuously reduce our CO₂ footprint, considering:

- scope 1** for direct CO₂ emissions caused by Carcoustics, e.g. internal heating, climate control units, corporate carpool
- scope 2** for indirect CO₂ emission e.g. electricity
- scope 3** for indirect emission e.g. for transport of purchased



were heavily impacted by the decline in sales which represent the denominator in their calculation. Additionally, the previously described inefficiencies in production

and management due to the pandemic inhibited a proportional decrease of our energy consumption, further affecting the KPI. With the continuing economic recovery we expect more meaningful values by 2022, representing our efforts and progress more appropriately.

Recycling and waste

Prevention of waste

The Carcoustics business model contains the strategy to develop and offer a wide range of solutions for our customers to improve acoustic insulation, sealing and maximum comfort properties of vehicles. To reach and maintain the maximum performance of customized products, Carcoustics purchases most materials and components. This gives Carcoustics the flexibility to always choose the best material solution for customized products and specific applications. To assure competitiveness, it is a given for Carcoustics to permanently improve the material usage. Not only because of the financial aspect the prevention of waste is number one priority when developing and implementing production processes. For instance state of the art software is used to calculate minimum usage of materials and a robust process design to keep the material blanks as small as possible, which also reflects in our low figures in the KPI of scrap rate.

Recycling and waste disposal

Carcoustics waste disposal intensity is stable below 0,7% of disposal cost versus total net sales over the last three years. Our products or processes do not cause any critical or dangerous waste. Although the prevention of waste is priority, we are continuously developing and applying recycling concepts. Standard materials like cardboard, metal, plastics, wood, and electrics are separated and delivered to local recycling companies. Customized materials are converted into recycling products, e.g. stuffer bags or rebonded foam blocks. In 2021 we are going to intensify the dialog with dismantling companies to better understand the end of life processing and consequential improvements to our product designs. We hope to not only enhance the recyclability of our composites but also gather new information that can be used for developing completely new production materials.

Water and effluents

As freshwater scarcity is one of the most relevant topics coming along with the increasing world population and industrial development, a responsible handling of this resource is not only important for maintaining Carcoustics' business activities but also for the local communities around our production plants. Carcoustics water consumption is limited to our sanitary facilities as we do not need any for our production processes. Nevertheless, we preventively identified our plants in Mexico, China and Belgium as

branches in areas with high water stress so we can pay special attention to measures obviating unintentional spills and leakages. As it is true for all our factories, all employees are made aware of the economical use of water with corresponding information signs at all tapping points, as well as a clear prohibition of the disposal of other waste in our sanitary facilities. Needless to say, all of our effluents meet the local and global quality standards.

Environmental Compliance

Carcoustics commits itself to complying with any present and future environmental legal frameworks, believing that a better future for our planet also means a more successful and sustainable future for our business and employees. As a basis we successfully started ISO 14001 certification at our plants in Germany and intend to expand this annual process to further locations globally.

Of course, Carcoustics not only bears direct responsibility for the environmental impact of its business activities but also for its employees and supply chain. Therefore the regular training program for all employees include information on how their behavior can have a positive impact on the company's eco-balance and suppliers are checked for their legally compliant behavior in environmental matters.

In 2020 we have not detected any violations from employees or suppliers and no business relations had to be terminated because of this.

EMPLOYEES & SOCIAL SUSTAINABILITY

Our employees are Carcoustics' highest value. We therefore have a special focus on their development and training, a value-creating working atmosphere and their health and safety of course. Within 2020, there was a special focus on Covid-19 and to keep our employees healthy and well informed at the same time. We set up central and globally responsible Corona-Teams that were constantly working on behavior guidelines including home office options and reduced presence on site. The teams were able to quickly react to any developments from governmental side or within the company. The management and Human Resources teams of each location were in close contact with or even part of the Corona-Teams to always provide the best possible support for our employees. At the same time, the development of our employees as well as the continuous improvement in digitalization are still one major pillar of our HR Strategy. We therefore enlarged our resources for the topics Talent Management and SAP SuccessFactors. We strengthened the options of E-Learning for our employees during the pandemic to make sure they continue to have the option to develop further while working from home or alone in the office. Not only in times of Covid-19, the health and safety of our employees is our highest value. We therefore set up a new position within the area of Business Excellence who is responsible for Health and Safety topics on group level.

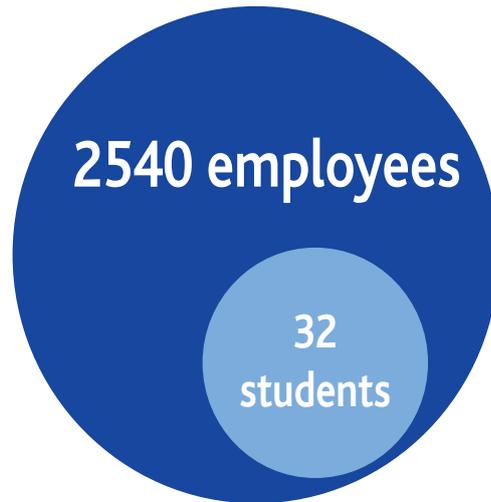


Katrin Schindler

Vice President Human Resources

WORKING COMMUNITY

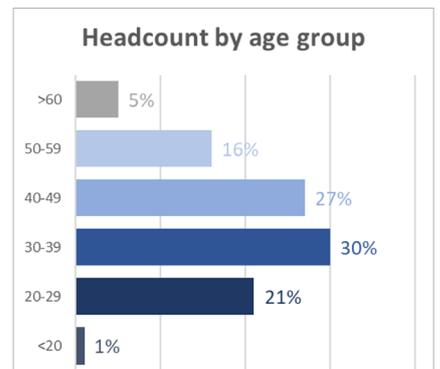
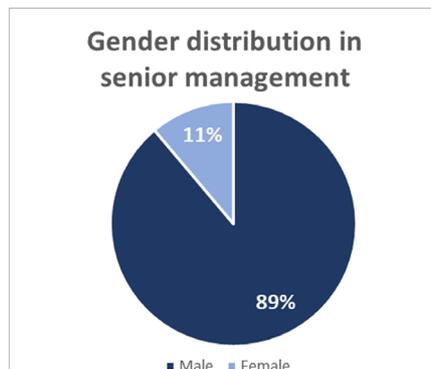
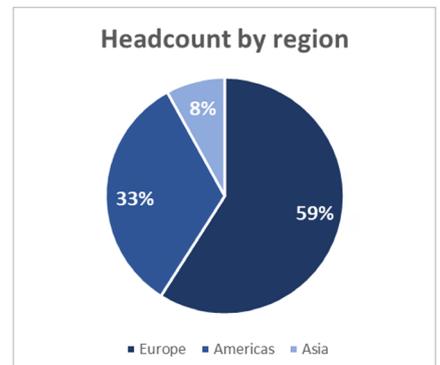
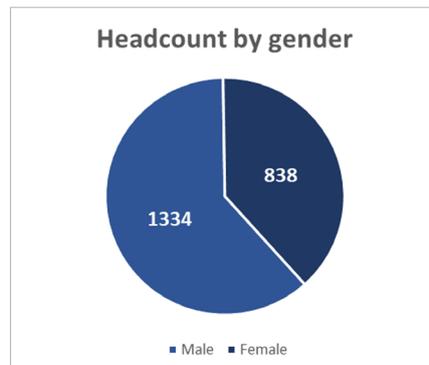
Carcoustics employees are the most important asset in the company. Especially considering the company's growth path, its staff is the most essential factor for success. Carcoustics has a focus on the defined corporate values. Currently, Carcoustics has 2.540 employees in 20 locations and 11 countries. Moreover, the company strives in developing Young Talents by offering apprenticeships, internships, dual student positions and trainee positions and is happy to be able to develop many of our "Young Talents" into permanent positions.



	2019	2020	change
Employees FHC	2.336	2172	-7,0 %
Temporary	234	336	+43,6 %
Total	2570	2508	-2,4 %
Students	43	32	-25,6 %
Total (incl. Students)	2613	2540	-2,8 %

Employee Diversity

For Carcoustics, as a company with a global footprint and diverse & international teams working together on a daily business, diversity and non-discrimination plays an important role. Having a diverse workforce is a key factor to the success of Carcoustics.





the development of our employees and thus to increase employee satisfaction. Secondly, to use the best resource for recruiting: our employees. They know the company and can evaluate if someone could be a fit for our organization.

In order to further promote lifelong learning, an access to an external e-learning provider is offered to our employees since 2019. Its library encompasses nearly 13.000 courses on topic areas like business skills and technology but also on safety and compliance which helps the employees to develop a greater awareness for the importance of these issues. By offering access to the platform, employees can proactively search for interesting trainings online and develop their personal as well as functional skills. This is another step into digitalization of our processes.

As part of the company values, lifelong learning is expected by the employees. Continuous development is crucial in order to be prepared for new challenges and the changes in the environment. Carcoustics strives to develop its own staff to allow them to go the career path they aim for. As part of the company development program, Carcoustics presents the program “Ways” to its employees which shows potential career paths in the three main areas “professional career”, “leadership career” and “project career”. There are various examples of employees who built their careers at Carcoustics and it is the goal to continue to support the employees in their goals.

With the initiative “Win a Talent” where all job openings are posted internally to encourage the employees to apply for positions and refer people outside the company for open positions we pursue two goals. First of all, to increase the internal promotion rate to foster



Employee Benefits & Satisfaction

Carcoustics is proud to offer its employees fair compensation and adequate benefits.

During the last year, Carcoustics further improved its flexible time schedule for salaried employees in order to improve their work-life balance. By allowing home office to a large number of employees, they can better adapt to personal needs and life style. Moreover, several employees make use of the Sabbatical program to take some time off for their personal desires.

Every year, Carcoustics reviews the salary & benefits structure not only internally but externally to the market and makes adjustments where necessary. Therefore, the company receives market reports for every single country it is acting in to ensure that a payment not just above legal regulations but also above market is continued. Further improving the benefits and employee satisfaction and retention is an essential goal of Carcoustics' human resources and talent management strategy. In addition to receiving internal feedback, the company continues to compare its processes to other organizations. Carcoustics takes great pride to be able to compare to bigger companies in receiving several awards, such as "Top Employer Austria", "Great Apprenticeship Training Facility Austria" and "Family Friendly Company". This is helpful to identify areas of improvements, which can then further be worked on.



Carcoustics is awarded Top Employer Austria 2020



Feedback and Performance

A culture of feedback and evaluation of performance is an important part of the development of Carcoustics' employees. Only by giving feedback, people know which areas they perform well and which areas they need to further work on.



One tool for managers and specialists is the target agreement. In the beginning of every year, individual and group targets are created in a workshop, which derive from and are aligned with the company balance score card. During the workshop employees talk about the goals as well as what is needed for being successful in the area. We review targets at least two times per year to ensure their success. An additional benefit for the employee is a bonus payment

according to target achievement at the beginning of the following year, which is in line with our strategy of "pay for performance". In the employee appraisal process, the employees receive feedback about their performance and their behavior according to the company values. In the appraisal meeting they further discuss career perspectives, development goals of the employee and the employee gives feedback to the managers on their managing style. In 2020, 676 of such performance reviews were held. 360°-Feedbacks are conducted on the needs-oriented basis. Employees receive feedback from different stakeholders within the organization. This feedback helps the employees in their development by enabling them to build on their strengths and work on their development fields. Talent Management is a priority for the top management at Carcoustics. Therefore, talent conferences are held in order to identify high potentials as well as high performers, to discuss potential career paths and development options for the individuals and finally to create a common understanding of the Young Talents at Carcoustics and increase the focus on developing these.



Health and Safety

Carcoustics is committed to provide a healthy and safe work environment to our employees and any other people interacting with our company. The goal of the Health and Safety program at Carcoustics is to prevent accidents, injuries or illnesses before they happen. Health and Safety is everyone's responsibility!

The new central position of "Global OH&S representative" was created in March 2020. In the beginning of 2019, due to the requirements of some customers and in order to improve our position and competitiveness in the market, there was a demand to implement a health and safety management system and obtain the ISO 45001 certification. This system had been implemented in the past locally in two of our plants - Leverkusen and Haldensleben. The next target was to continuously create the basics at the group level. In parallel we began to work on the implementation of the ISO 45001 system in other plants - Wroclaw, Genk, Langfang, etc. This whole effort culminated in obtaining a corporate certificate, which we obtained on

July 6, 2020 after a series of certification audits by TÜV Rheinland.

Many OH&S related subprocesses now are fully integrated into the corporate Integrated management systems. Examples of implemented corporate standards:

- Management of the health and safety risks and opportunities (KP8.6.4PD01)
- OHS risk and opportunities matrix (KP8.6.4FO01)
- Disciplinary safety guideline (KP8.6.4DO1)
- Accident and near miss process and report (KP8.6.4PD02 & KP8.6.4FO02)
- Lessons Learned Card (LLC) for safety accident (KP8.6.4FO04)

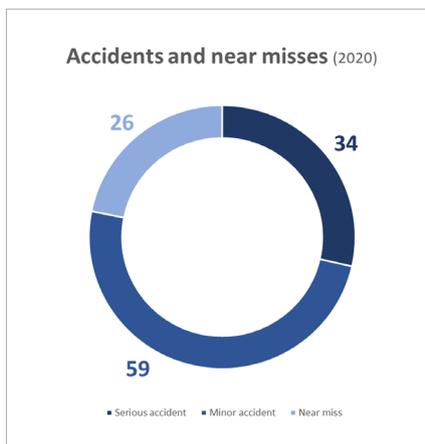
The Accidents & Near Misses tracking tracks any incident, independent from the severity of the incident and is reported monthly. Target for "1000-employee rate" in 2020 was:

- up to 10 - acceptable
- over 20 - not acceptable

Overall in 2020 we had 34 accidents (with absences > 3 working days in

the Carcoustics Group and in average a staff of 2425 employees). That means our 1000-employee rate was at 14,1%, which is a reasonable result when comparing it to the market.

We have not yet succeeded in achieving a ratio of less than 10, but the long-term trend over the last few years is positive, which is why we are convinced that we will reach our target in the near future.



- Status of OH&S (MP4.3.4FO07)

Lessons learned

One of the highest priorities in 2020 was to strengthen and standardize the deep investigation of the safety accidents using the 8D approach. A detailed root cause analysis and the definition of corrective and preventive actions are organized within our plants, ending with a "lessons learned card". Thereupon, a new international sharing system has been developed and adopted into corporate practice so results can be shared within the sites. Now all local safety representatives have the possibility to learn from and evaluate the applicability of preventive actions from safety incidents that have already happened in other plants. In total 25 different lessons learned cards were issued and evaluated according to a comprehensive matrix. One of the broader topics resulting from this approach, for example, was the age-appropriate design of our working areas, which lead to several changes to our working platforms for ergonomic improvements. Simultaneously, these changes also enhanced overall safety conditions as additional security barriers and equipment were acquired and introduced. Our voluntary health promotion programs in different locations include a wide range of measures starting from a company doctor, the offering of vaccinations and health evaluations up to regular meetings including not only our management team but also team members from different areas.

Corona management

Very high focus by top management and other OH&S related staff was directed to the elimination of the negative effects of the Corona pandemic. In order to protect the health and safety of our employees during the pandemic, all employees were offered to work from home wherever possible. HR supported all employees during the Corona pandemic by communicating the global and local behavior guidelines as well as giving advice for efficient working from home while securing a healthy work-life-balance. Additionally, the managers of Carcoustics were sensitized to how to lead employees remotely. These measures aimed to maintain the wellbeing of all employees during the Corona pandemic, both physically and mentally. Overall, the following actions were taken:

- A Corona task force was created, publishing weekly news about recent activities, emergency actions and trends in all plants (countries).
- Multiple emergency measures were taken e.g. body temperature checks of all employees, providing suitable PPE (masks, shields, respirators, ...), extended disinfection and cleaning activities, Covid-19 testing of our employees at most affected locations in cooperation with local medical services
- Home office implementation
- Flexible working time
- Short-time work
- Production planning considering adequate manpower and area limitations/employment density

Social Engagement

Carcoustics believes that not only it is important to deliver great quality to the customer, but also to be aware and to contribute to their environment and society. The company's locations manage activities independently and with different focus areas as deemed most important locally.

The concept of having the locations decide themselves will further enhance their engagement in contributing to society. Therefore some locations might focus on awareness for disabled persons by hiring disabled candidates who otherwise struggle to find a job or supporting institutions for mentally disabled persons. Other locations focus on children problems, such as sponsoring language classes for children and supporting institutions for psychological consultations for children. The headquarters in Germany started a project to support refugees in the area to start a job at Carcoustics. Many locations support their local cultural program or local social institutions either by donating or creating special events to bring awareness to the topic as well as contributing themselves in the institutions.

The educational mission that a company has is of great importance to the management of Carcoustics. This is reflected in the "Young Talents". In all Carcoustics locations students not only from universities but also schools are offered different opportunities to gain experience in the field: by offering internships, support students in writing their study thesis or by inviting them to experience a day in the company to be able to help decide about their careers. Also, not only boys are encouraged to go for the technical career but especially girls are supported by offering the "Girl's Day". Furthermore, apprenticeships as well as the opportunity to complete dual studies in the locations in Rankweil and Klaus, Austria, as well as in Leverkusen, Germany, are offered. Moreover, these social contributions are promoted in the internal and global company newsletter "Carcoustics Connected", with the intent of motivating other locations to think about if such a contribution could also be of interest in their location as well as inspire them for new ideas of social engagement in their location

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Just like the previous year Carcoustics was awarded for being a particular good training company by the Chamber of Industry and Commerce Cologne (Industrie- und Handelskammer) in 2020 (picture from 2019)

Compliance

The goal of Compliance at Carcoustics is to ensure that Carcoustics employees comply with the rules in force and the applicable legislation. This enables the company and its employees to avoid negative consequences and helps to maintain our trustworthiness and reputation as a dependable business partner.

Responsibilities and organization

The responsibility for compliance lies with the management of the Carcoustics group. A Compliance Officer for the Group and local Compliance Contact Person for each legal entity have been appointed. They work to develop the Compliance Organization, and are the first point of contact for any questions, issues or clarifications needed. In addition, they compile and aggregate compliance issues and propose recommendations to decision makers. They report on Compliance in regularly held meetings. External consultants may be asked to get involved if necessary.

A Compliance Committee is in place and is represented by the

Compliance Officer, a Business Unit Manager and the Vice President Human Resources. The Compliance Committee is always active if topics or issues that are being assessed by the executives and the local Compliance Contact Person require additional, possibly group-wide coordination. The Compliance Committee issues recommendations to superiors and employees and may call for more in-depth investigations.

Compliance Trainings

In addition to this support role, Human Resources coordinates compliance training sessions. A training schedule is available and lists the trainer – either an external expert, the Compliance Officer, the Compliance Contact Person or export control manager. Superiors conduct further training if their employees have not participated directly in the general training sessions. Furthermore there is an e-learning tool including a test with multiple choice questions which has to be completed by new employees and regularly by our existing staff. The results of the tests are being tracked.

Compliance Topics

The topics covered by the Carcoustics Compliance process are the following:

Signature Guideline: describes the process of who is allowed to represent the company

Anti-corruption: avoiding a dishonest and fraudulent business conduct

Anti-trust: aiming at free and fair competition

Export control: adhering to export control regulations such as restrictions, prohibitions and authorization requirements

IT Security: regulating the use of Carcoustics IT systems and applications

As part of being compliant, we are reviewing every new employee and check if they are on the Consolidated List of Persons to sanctions.



Sustainable implementation of CSR reporting at Carcoustics

Following our initial CSR reporting of 2019, this is the second version of the now annually published Sustainability Report. Compared to the previous year we made several additions and concretizations in all areas and tried to gear our reporting practice towards the popular frameworks. In order to promote transparency with better comparability, we plan for 2021 to prepare our report in accordance with the standards of the Global Reporting Initiative already widely used in the industry. This year's report already references most of the GRI's Core Standards and several more in each of the topic-specific segments. Going along with this change in our reporting practice we will extend the use of the Greenhouse Gas Protocol for emission calculation and have our disclosures verified by an independent third party. In our corporate practice, sustainability management was driven further by the creation of a new position in quality management. In a first step, extensive structures

for global data collection will now be created in 2021 in order to develop improvement potentials and business strategies based on them. We hope that this will not only enable us to better meet our social responsibilities, but also to make our business processes and products more efficient and innovative.

We are firmly convinced that protecting our planet and the communities that inhabit it can go hand in hand with the economic success of our company and comes with many opportunities for advancements.

Summary and outlook

The economic and social impact of the Corona pandemic had a far-reaching impact on our business and manufacturing processes, particularly on their efficiency and profitability. Despite all the circumstances, however, we managed to protect the most important thing - the safety and well-being of our employees. With comprehensive measures, including regular testing, various hygienic measures, and the expansion of mobile working, we successfully avoided possible chains of infections at our sites. Following the expected recovery of the global economy and the renewed increase in demand for passenger cars, the key figures will also again more truthfully re-

fect our progress and positive development in the area of operational sustainability management.

At the same time, we used the year to define our strategy up to 2025, in which sustainability management will play a central role. In all relevant areas, the structures are to be created by 2022 to collect sustainability-related data and use it as the basis for management approaches and comprehensive reporting. In addition, this data is now to be incorporated more strongly into the product development process, which in future is to begin earlier, namely in parallel with that of our customers.

With the help of these factors, we are convinced that Carcoustics will continue to strengthen and expand its position as a strong partner for technologically and qualitatively superior products, as well as fulfill its role in the transformation to a sustainable society.

Imprint

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