

sustainability

      report 2021



11

Countries on 3 continents

2371

Employees

Europe

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

Asia

- China**
Langfang
Shanghai
Shenyang
- Japan**
Tokyo

Americas

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

7

Manufacturing processes

> 1500

Materials

- Production
- Distribution
- Research & Development

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Foreword

Dear readers,

the year 2021 has once again presented us with major challenges. The ongoing Covid-19 pandemic and its impact on global supply chains have caused the economic recovery to be rather slow. At the same time, the shift towards alternative powertrains and sustainable product solutions in the automotive industry continued to accelerate. In the company itself, moreover, restructuring continued to progress and there was a change at the top of the management team. Nevertheless, Carcoustics has successfully met these challenges and emerges eager for action from this year. Our Corona management was further refined and supplemented by concrete measures for health and infection protection at the individual sites. These included entry checks with measurement of body temperature and regular test cycles, as well as the offer of vaccinations by the company doctor or occupational physicians.

In this way, we successfully ensured that the risk of infection at the workplace or in connection with it was minimized. We are keen to support the shift to new energy vehicles and the implementation of the principle of sustainable development in the automotive industry. To complement our corporate strategy „Carcoustics 2025“ presented last year, we have started to develop a comprehensive sustainability strategy, which we will present soon. Our ambitious goal is to improve the environmental impact of our products throughout their life cycle and focus on the efficient use of resources in our production processes. We are convinced that with our new strategy, we are well positioned to face external market challenges and achieve sustainable growth in relevant automotive markets in the future. Our aim is to further establish our company as a global technology and qua

lity leader in thermal, acoustic and electromagnetic insulation. Of course, the new strategy also focuses on our social responsibility towards the local communities, which we want to continue to meet by supporting development towards a better future through our role as a responsible employer and additional incentive projects. We are constantly working to improve sustainability in all areas of the company and will continue to do so. This report keeps you informed about the progress we have made in the year of 2021.

Enjoy reading and stay healthy!



Thomas Sundermann
Chief Executive Officer

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 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 com-

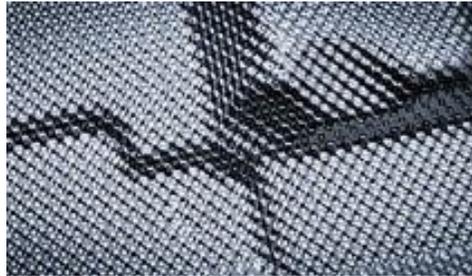
binning, forming and reworking materials, we create products that offer the very best combination of price, performance and quality. Carcoustics brings together the concentrated expertise of central research centers in Europe, Asia and the USA, and a manufacturing structure that allows it to be in close 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 2.371 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 seven raw materials and working with six different production technologies: Thermoforming, Aluminumforming, PU Foaming, Die Cutting, Vacuumforming, Blow Molding and Injection 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 Product and Process Development 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.



Injection Molding

The processing of TPE material can be used for various items, e.g. dash inner or the encapsulation of different electronic devices. With Injection Molding, it is possible to realize variable mass distribution in acoustical spring-mass systems.

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 become quiet, heavy become light, voluminous become compact, hot become cold, wet become 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 products to reduce weight, improvement of interior acoustic, improved thermal 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. 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. Our product portfolio is split into the four major areas of applications in a vehicle to serve the customers' individual requirements well: the exterior of the vehicle as well as the interior and the powertrain area as well as new solutions for New Energy Vehicles (NEV). Carcoustics' products improve the comfort of vehicles 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.

We are an experienced specialist when it comes to battery-related applications, flame protection and electromagnetic compatibility.



Portfolio

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 Interior Solutions focus on optimizing the customers' interior equipment especially regarding acoustical and thermal requirements and thereby improving the passenger's driving experience and comfort.



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 Exterior provide support in all relevant topics and thereby greatly contribute to the passenger's safety and well-being.



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 Powertrain Solutions provides products and optimization for the whole engine bay area. The focus lies on acoustical and thermal solutions for the engine compartment and all drives.

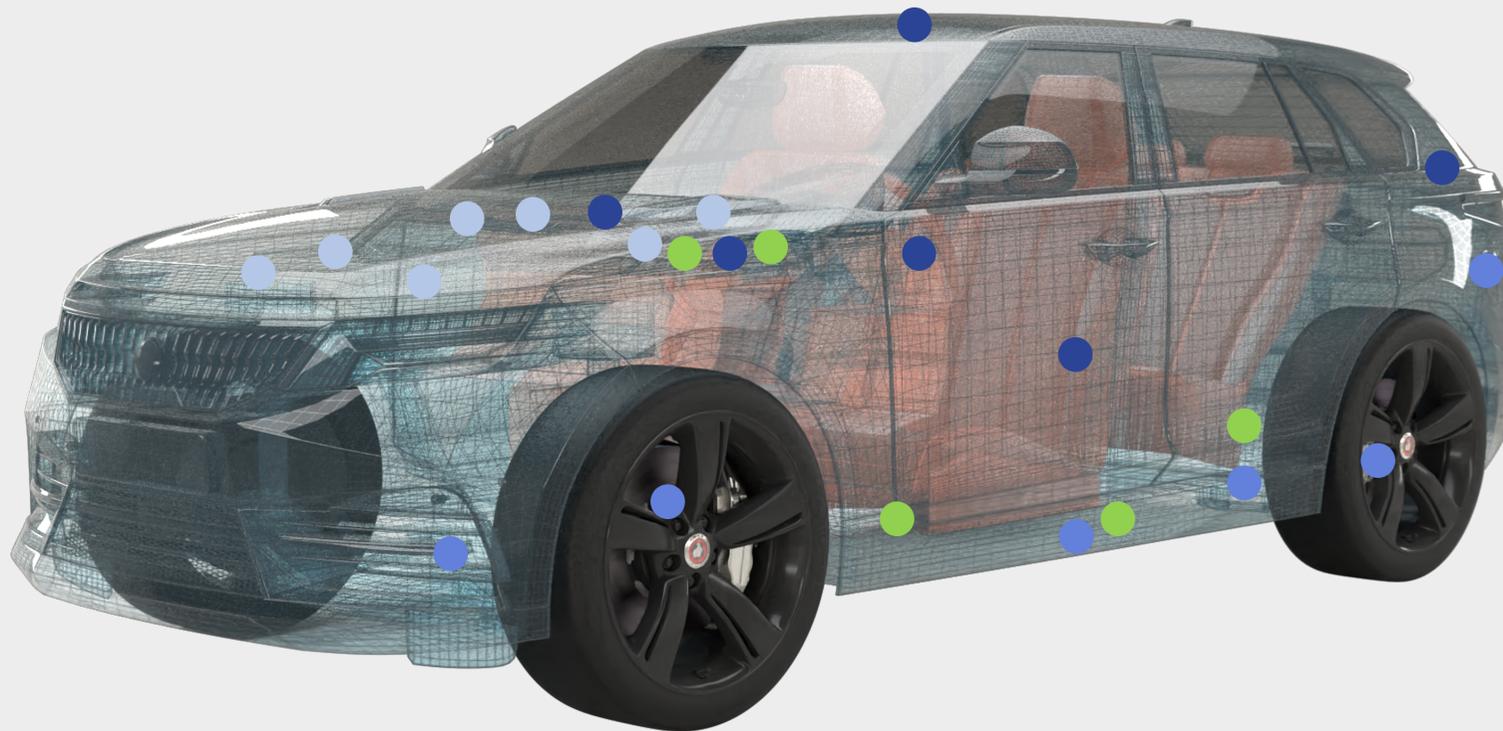


New Energy Vehicles

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 thermal 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.

Product Solutions

● NEV ● Interior ● Exterior ● Powertrain



Trends in the Automotive Industry

New Energy Vehicles

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

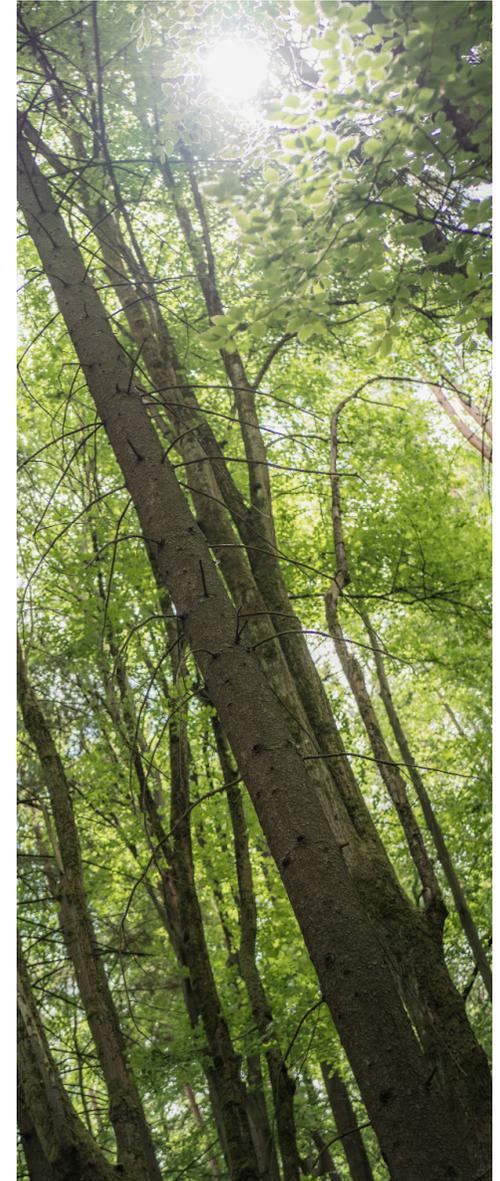


Although still a long way to go, the market is steadily moving towards autonomous driving which will change the way we think about passenger and freight transportation. Long distance journeys will be used for productive work or recreational time, creating new requirements for the passenger compartment 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.



Carcoustics' 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 global technology and quality leader in thermal, acoustical and electromagnetic 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, our business units are organized in the three regions Europe, Asia and America. In all regions, we have established development centers as well as production plants and sales for-

ces. Regional strategies are 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 room for improvement. Besides playing a part in achieving global climate targets, the results also lead to an improved position in the market as our customers are increasingly demanding sustainable processes and products from their suppliers.

Customer centricity and broad global customer portfolio

By organizing our product portfolio into the four major application areas in a vehicle, Carcoustics is reflecting the customers' structure. In all regions and all product areas, the focus is on achieving significant growth by acquiring new orders. The sales organization is set up accordingly.



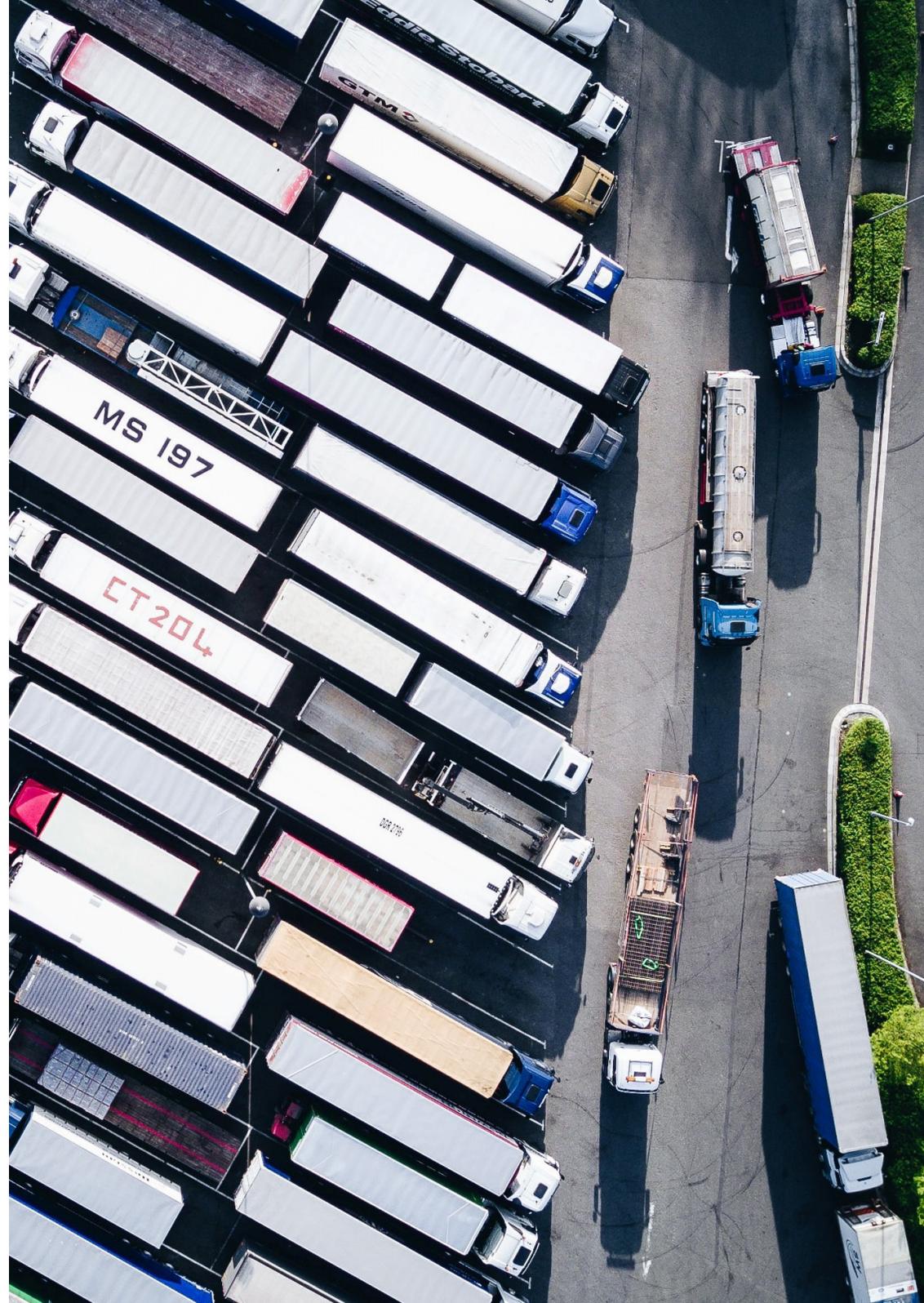
Supply Chain & Production

The year 2021 continued to be dominated by the Corona pandemic and its impact on global supply chains. Many of the leading OEMs had to suspend production for some time due to missing components and were unable to meet demand. Carcoustics also felt the effects of this development due to its strong dependence on the automotive industry, which had an impact on machine utilization and the allocation of employees and raw materials. Despite these circumstances, the relevance of the topic of sustainable development has continued to increase, which is why few other topics are as much in focus at Carcoustics as this one. This trend can also be observed in the demand for NEVs and sustainable vehicle components, which is why we have also continued to align our product and process policy accordingly. A holistic energy management system in accordance with ISO 50001, building balancing at our production sites, and our own photovoltaic systems for electri-

city generation should lead to an improvement in our operational sustainability performance in the future. A newly formulated sustainability guideline for suppliers and the anchoring of the topic in our framework agreements will also lead to the passing on of our principles to the upstream supply chain. With a continuous risk and hazard analysis as well as our own supplier assessments, we aim to actively counteract the violation of laws and guidelines. We have also strengthened our own compliance with new compliance and IT security policies and are focusing on improving our complaints and whistleblowing process.



Lars Johannsen
Vice President
Business Excellence



Purchasing & 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, e.g., employees & other stakeholders, ...) 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:

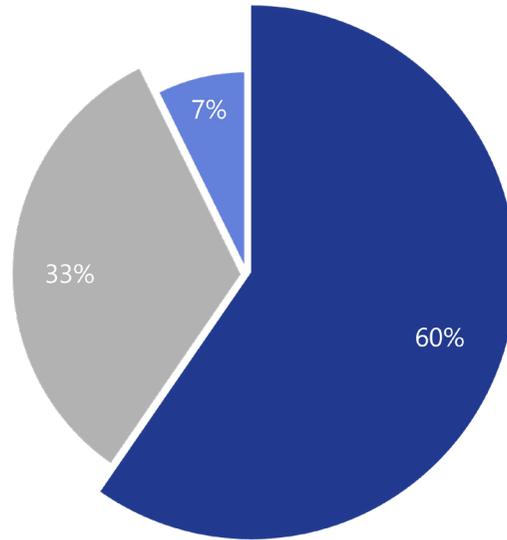
- Respect human rights: no human trafficking, no forced or child labor, no discrimination, freedom of association
- Respect labor law: binding to collective agreements, fulfillment of working time, safety and payment and neither corruption nor bribery
- Respect environmental laws (economical use of resources, recycling)
- Respect all Compliance principles, especially Anti-Corruption, export control and antitrust



For an innovative project with our partner Porsche, we are cooperating with the renowned organization IGEP to minimize the risks of human rights violations in the procurement of our raw materials from artisanal mines in India. The mines comply with IGEP standards, which are especially strict, and Indian law. Both infrastructure and alternative programs are created to actively counter the risk of child labor. We ourselves ensure through additional controls at our suppliers that the raw material is only delivered from mines certified by IGEP according to the ISES 2020 standard.



Americas Asia Europe

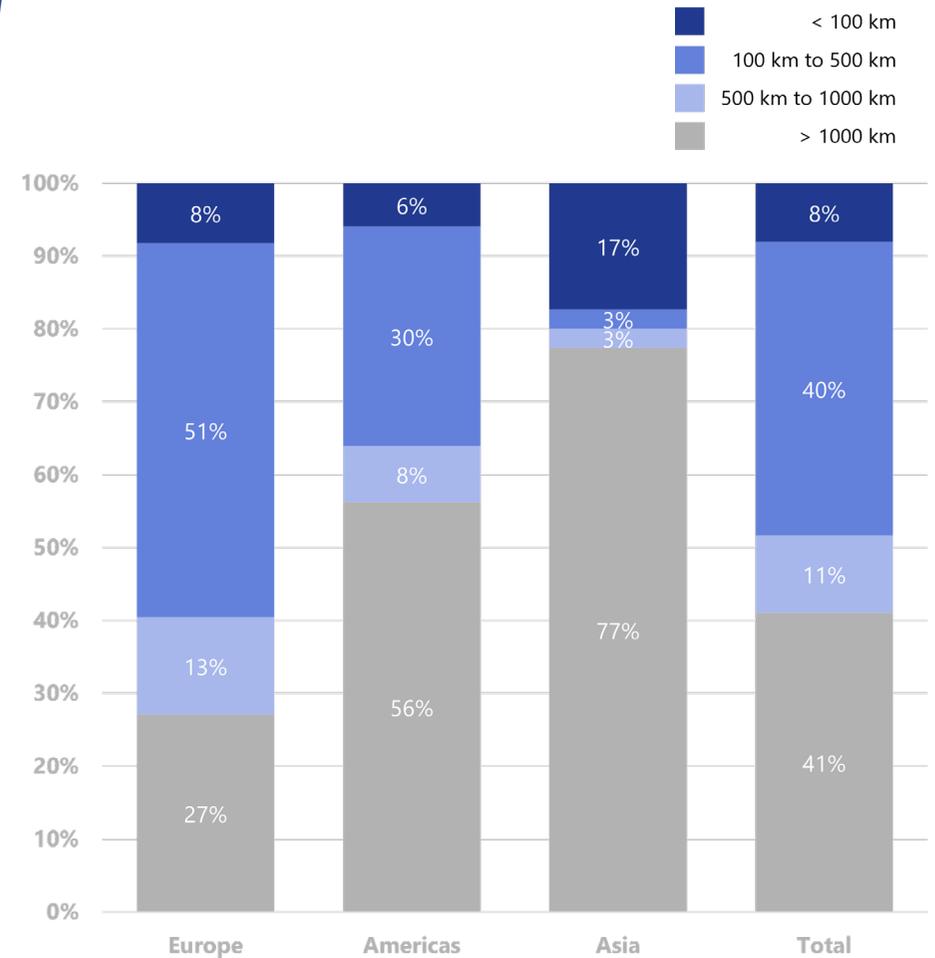


Revenue by region

In addition, an expanded sustainability guideline for suppliers is currently in progress, which will cover the areas of environmental responsibility, social responsibility and ethical business conduct even more comprehensively. With this, we want to ensure both the minimum standards for these areas, but also to pass on and enforce the sustainability principles we have imposed on ourselves in our supply chain. In 2021 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 our corporate social responsibility, Carcoustics is trying to reduce the emissions generated by the transport of its production material.

In order to have a first reference point for future analyses and measures, the distance of the suppliers to the production sites is shown for all relevant regions:



Supplier distance by region

Production & Added Value

Policies

The framework of the Carcoustics Quality - Environmental and Occupational Health & Safety Management System is our corporate policy. 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. For this reason, we are currently undertaking a fundamental revision of our corporate guidelines in order to bring them into line with our ambitious goals and ideas for a sustainable business practice.

Certified Management Systems

Carcoustics' certified Integrated Management System (IMS) includes the following norms and standards as a basis for managing any sustainability aspect. We are proud that in 2021 our company-wide certification for ISO 14001 and 45001 has been confirmed for all our plants. One of our central goals for the coming years is to extend ISO 50001 to the remaining sites and to use it as a basis for measures to increase our energy efficiency.

Management System	Standard / Norm	3 rd party certification	Scheme / Scope	Pct. covered
QMS Quality Management System	IATF 16949	TÜV Rheinland Cert GmbH	Corporate	100%
EMS Environmental Management System	ISO 14001	TÜV Rheinland Cert GmbH	Corporate	100%
OH&S Occupational Health & Safety	ISO 45001	TÜV Rheinland Cert GmbH	Corporate	100%
EMS Energy Management System	ISO 50001	TÜV Rheinland Cert GmbH	German locations	11%
ISMS Information Security Management System (in implementation)	TISAX (VDA ISA)	TÜV Rheinland Cert GmbH	Corporate Individual local TISAX scopes and labels	100%

Compliance



The goal of Compliance at Carcoustics is to ensure that all 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 Regional Director 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, the People & Culture department 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.



Resources & Emissions

Despite the ongoing economic impact of the coronavirus pandemic and its consequences for global supply chains, we have not lost sight of our long-term goal of making our business more sustainable and environmentally friendly. Quite the opposite, as the increased focus on the efficient use of natural resources once again highlighted the direct link to financial benefits and potential for business development. However, continued subdued demand kept impacting our revenue-based performance indicators such as intensity metrics, which therefore do not yet sufficiently reflect our efforts and progress over the past years. In addition, Carcoustics had to accept situational inefficiencies to protect the health of our employees and maintain production, such as limiting the number of employees on machines and leaving machines idle to avoid long, energy-intensive warm-ups. Nevertheless, we made some progress in several areas, as our scrap rate was again reduced to a historic low and we continued to improve our carbon footprint

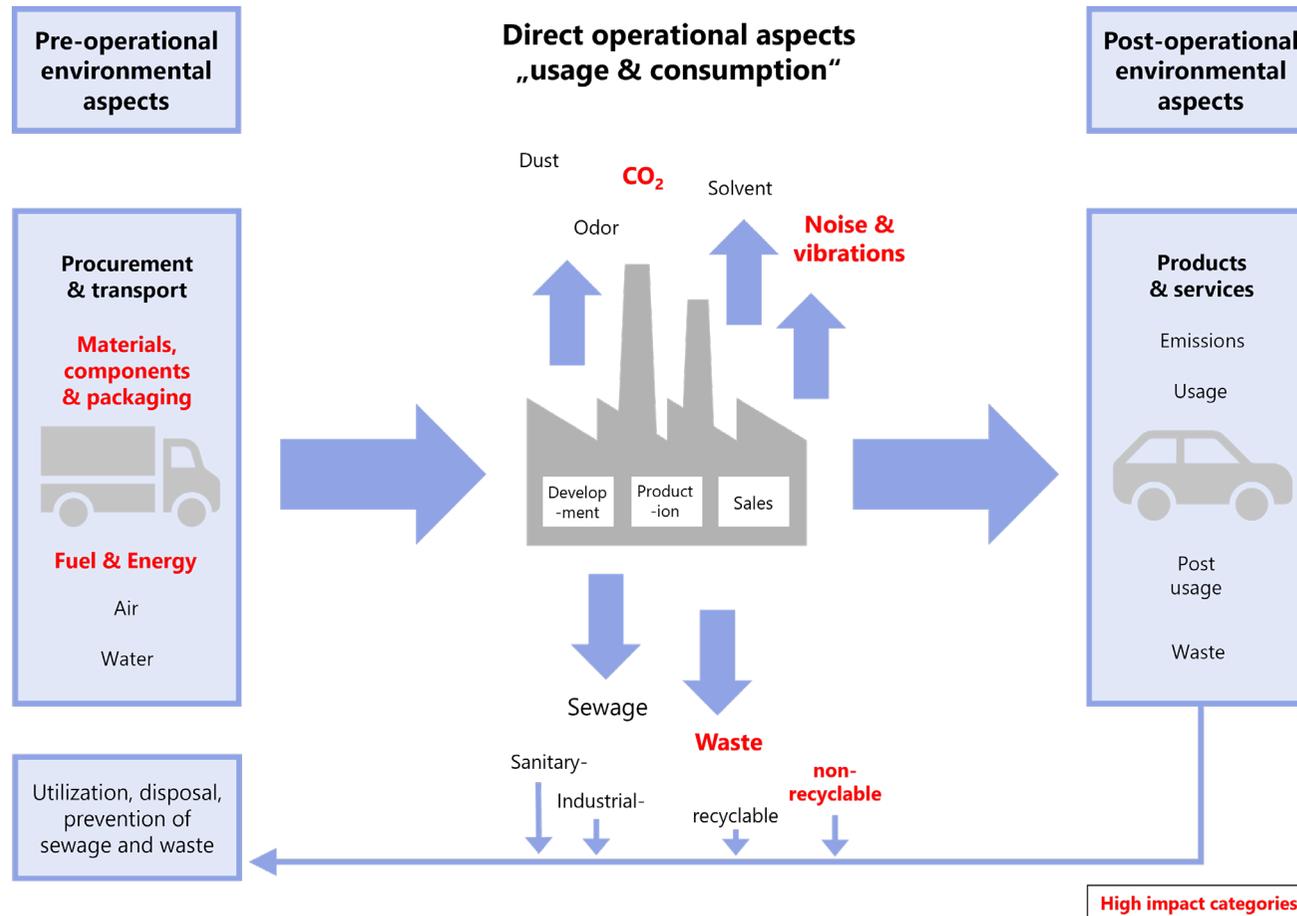
assessment, not only at the company level but also at the product level. The use of new software has enabled us to assess the environmental impact of the production of our products and raw materials, adding value not only for our customers but also for our product and process development. In the coming year, we plan to expand our cooperation with recycling companies to improve the recyclability of the materials used in our products and prevent waste. In addition, we will focus on further expanding the scope of our emissions calculations and increasing the share of renewable energies used to generate the electricity required for our production processes.



Dirk Pérez
Vice President
Quality & OHS



Materiality Assessment of Environmental Aspects within the Carcoustics Group



As part of the Integrated Management System and the annual environmental management review, Carcoustics regularly conducts a materiality analysis of the following aspects as a basis for product and process improvements:

- Pre-operational aspects**
- Raw material extraction
 - Reprocessing at suppliers
 - Preparation and delivery
 - Purchased production goods (e.g. components, machines, materials, etc.)

- Direct operational aspects**
- Raw material utilization and consumables
 - Use of energy sources (e.g. energy, fuels, etc.)
 - Emissions (e.g. noise, dust, solvent, CO₂, etc.)
 - Waste and sewage

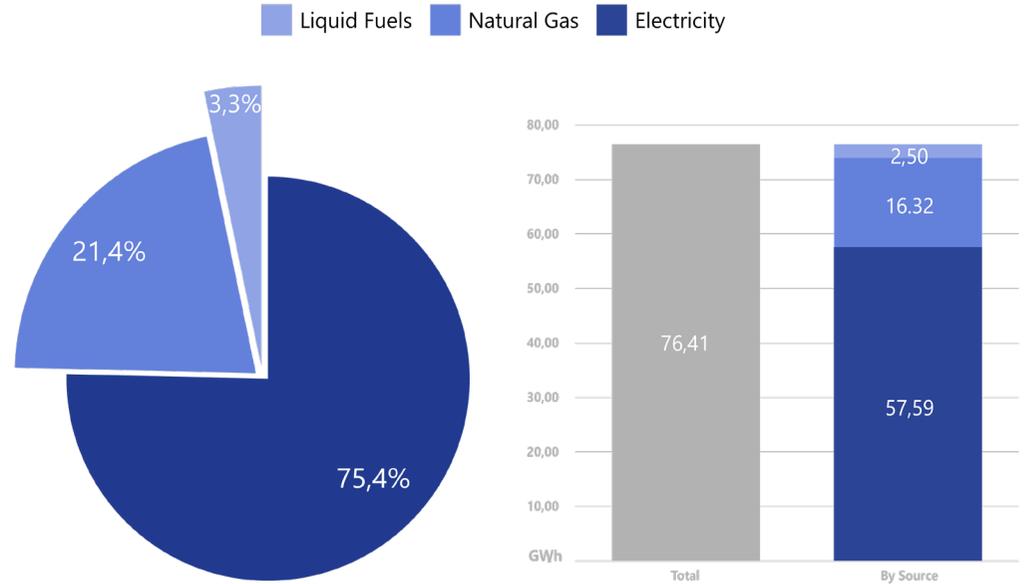
- Post-operational aspects**
- Onward transport to the customer
 - Influence on the use phase
 - Disposal and recycling (end-of-life)

Material Usage

The optimal use of materials is a key factor for all Carcoustics products and processes, as economic and ecological aspects are interconnected. 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. 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 all-time low of 1,16% for scrap rate in 2021, surpassing our target of 1,20%. In the upcoming years we plan to maintain this low level while incorporating new, innovative and greener materials and production technologies.

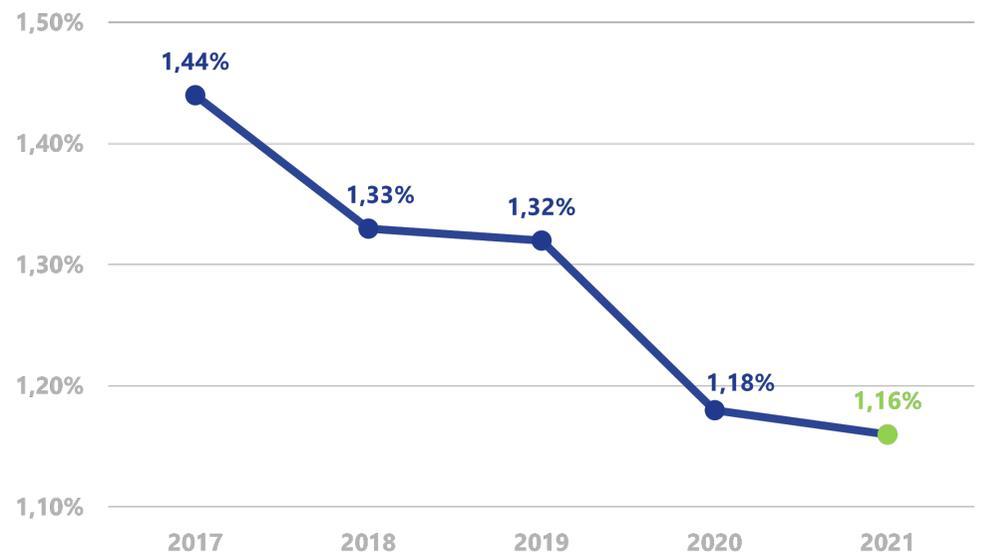
Overall Energy Usage

Making up more than 75% of the total energy consumption, electricity is the major energy source used at Carcoustics. The highest portion of electric energy is used for production processes and machines, especially for heating of materials and tools. As of 2021, 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 21% of total energy use. It is mainly used for the heating of buildings and only little in processes. Other energy sources account for less than 4% of total energy consumption and include liquefied petroleum gas (LPG) for forklifts and kitchens, and diesel or gasoline for operating our company cars, although 35% of these are also already at least partially electrified.



Shares of energy consumption

Total Energy Consumption by Source



Scrap rate trend

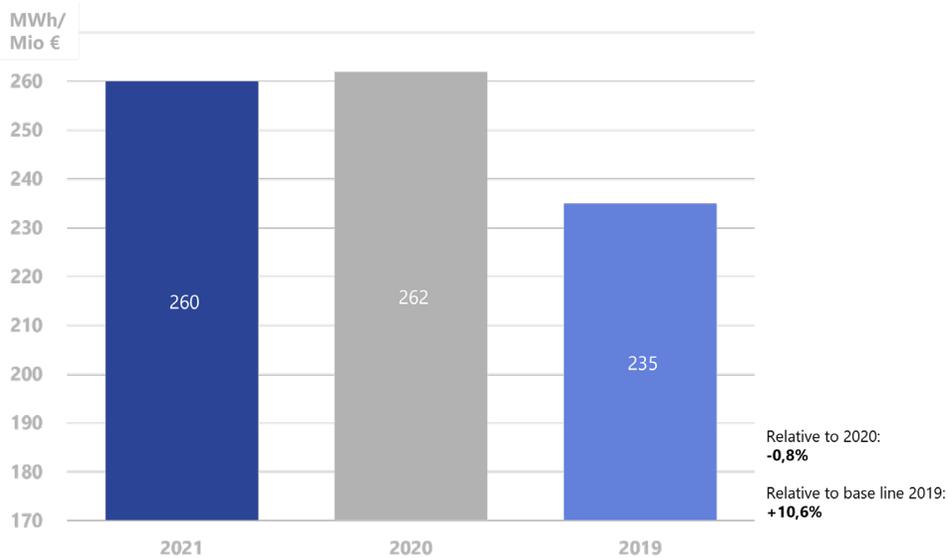
Energy Use Indicator

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 plants, led by plant managers and local „energy saving teams“. The results of improvement projects and best practice are shared within the Carcoustics group. In 2021 the ongoing corona pandemic forced us to take several measures with lower energy efficiency to protect our employees from possible infections and keep production running. Restrictions in machine employment density and idling to avoid even less efficient warm-up processes, coupled with further restrained demand and supply chain difficulties, resulted in further poor, but not as meaningful, metrics. Our short term goal

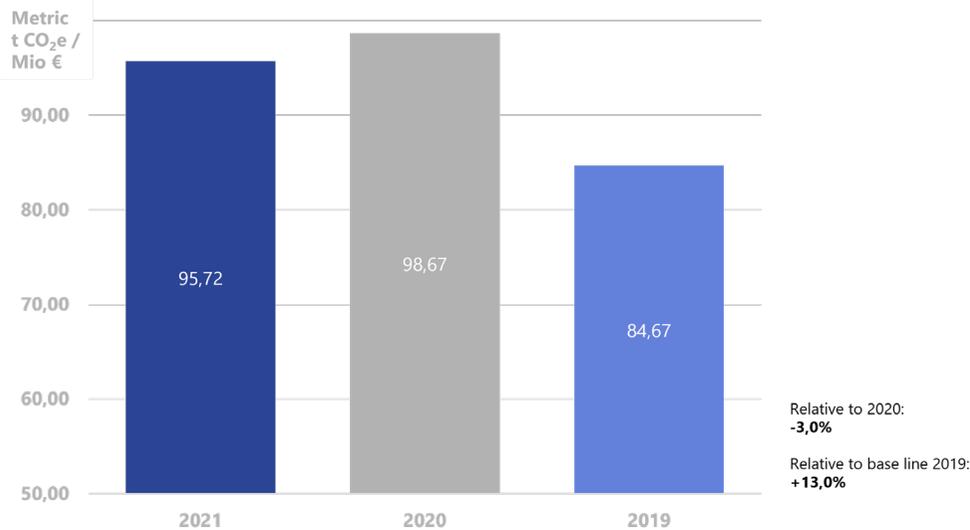
is to reach pre-pandemic levels by 2023 and continue our progress from the previous years by investing in on-site electricity generation and saving measures.

Emissions

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 2021 we are able to reliably report the direct (scope 1) and in- direct (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, 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.



Energy intensity

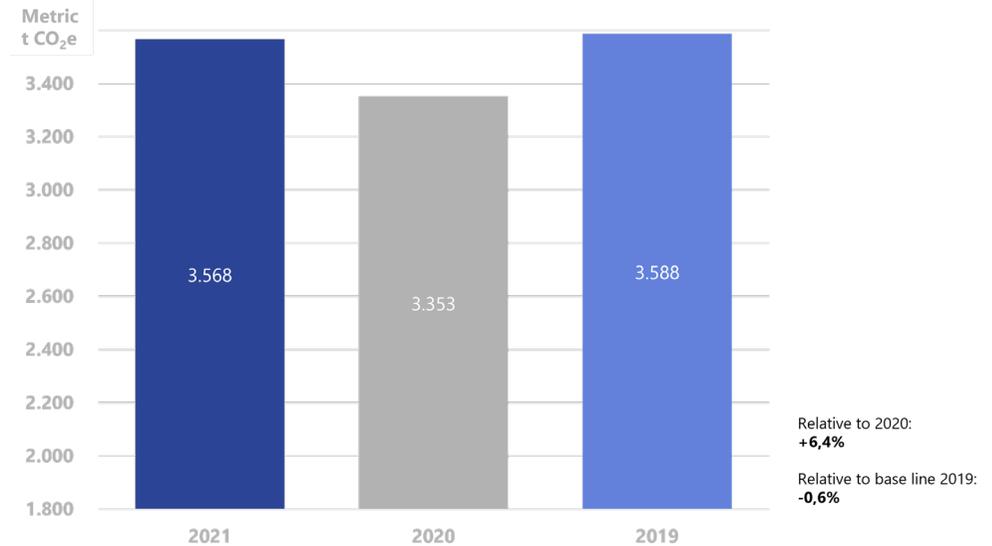


Emission intensity

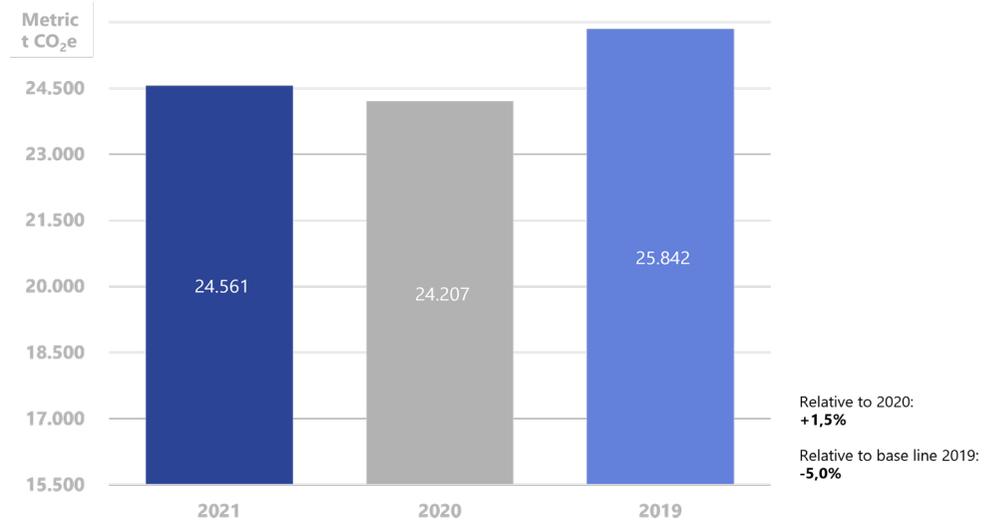
Product Lifecycle Assessment

In order to better understand the environmental impact of our products during all phases of their life cycle and to draw conclusions and potential for future product generations, we have created the necessary infrastructure and started calculating product-related life cycle assessments. As the *as-is* analysis progresses and the tools are used for first development projects, initial results have confirmed one of our basic assumptions - 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 lightweight construction of the body. We will continue to strengthen our expertise in this area and not only deliver added value for our customers, but also steadily reduce the environmental impact of our products.



Total scope 1 emission



Total scope 2 emission

Recycling & 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 acoustical 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 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.



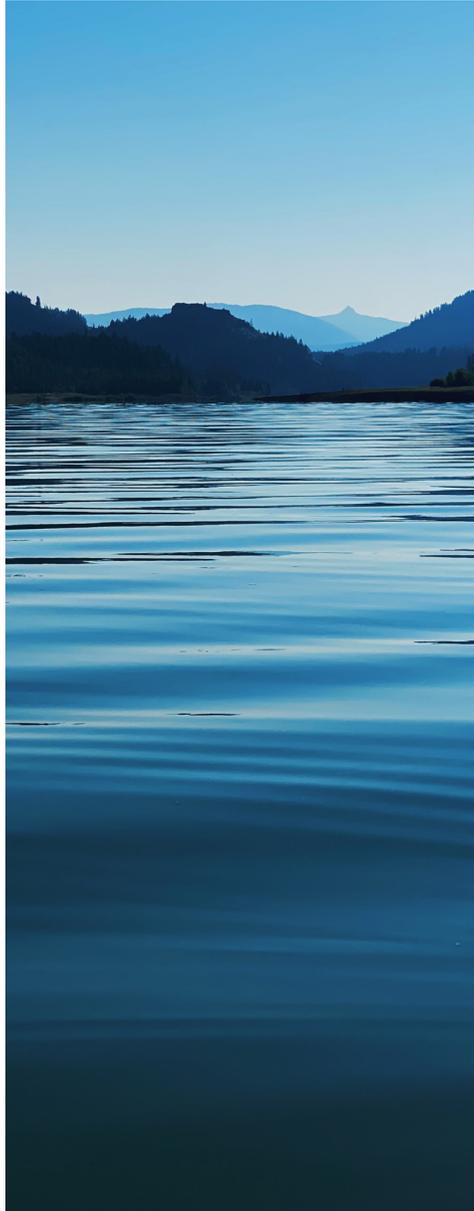
Recycling & disposal

Carcoustics' waste disposal intensity has been stable below 0,7% of disposal cost versus total net sales over the last three years, and could even be reduced to 0.58% in 2021. 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 2022 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 & 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 plants, 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 for this, we are proud to have achieved corporate ISO 14001 certification for all our plants and are working hard to improve our standards beyond this. 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 a new regular training program for all employees will 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 2021 we have not detected any violations from employees or suppliers and no business relations had to be terminated because of this.

Employees & Communities

All employees of Carcoustics make an important contribution to the success of the company and are therefore a particular focus of the management. As part of an organizational change, we have therefore repositioned our HR department in a new „People & Culture“ division to work on new concepts for employee development and satisfaction. To follow our vision of being a company that leads rather than adapts, we have identified the following topics as key focus areas for our present and future corporate identity:

- shaping a people-centered corporate culture
- creating a modern and sustainable workplace atmosphere
- standing for collaboration & teamwork
- focusing on people development and professional experiences
- becoming an employer of choice and offer market com-

- petitive compensation and benefits packages
- driving analytics and innovation in people
- leading organizational transformation

To ensure that the cultural elements are built by regional experts and people managers, our organization is structured regionally first. Nevertheless, we welcome and actively encourage global exchange in heterogeneous and diverse groups. People & Culture ensures cultural change, digital transformation and individual development experiences by intelligently combining the needs of our employees and the company.



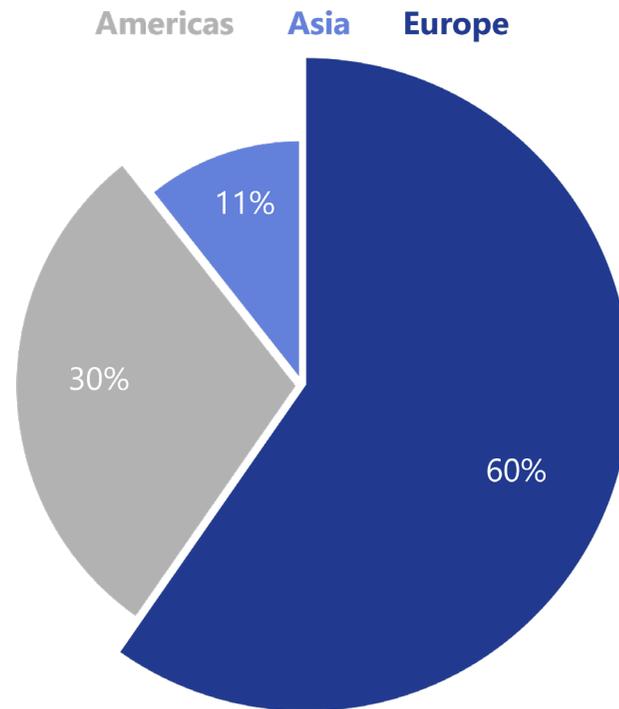
Katrin Schindler
Vice President People & Culture



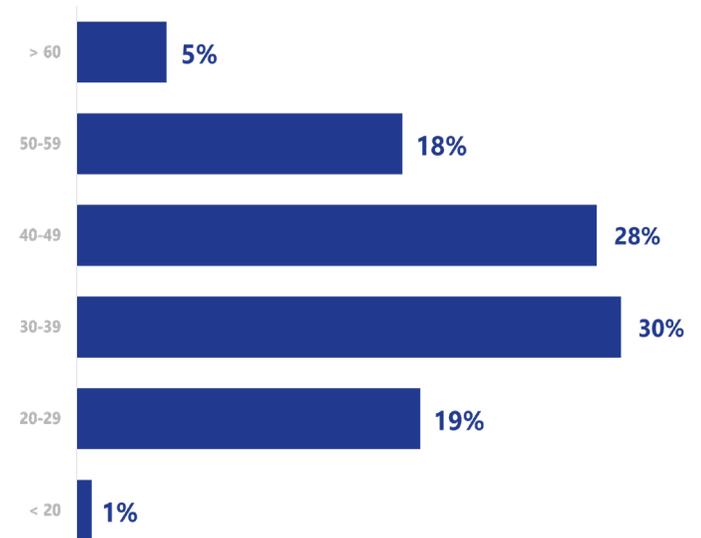
People, Culture and Community

Working Community

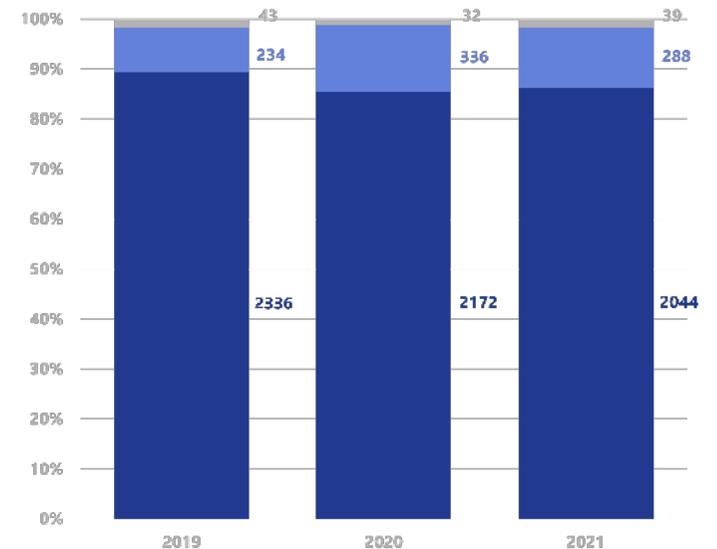
Carcoustics' employees are the company's most important asset. Especially in times of work absences due to illness and quarantine, the shortage of skilled workers and the highly competitive talent acquisition, our employees have been the most essential success factor. Currently, Carcoustics has 2.371 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.



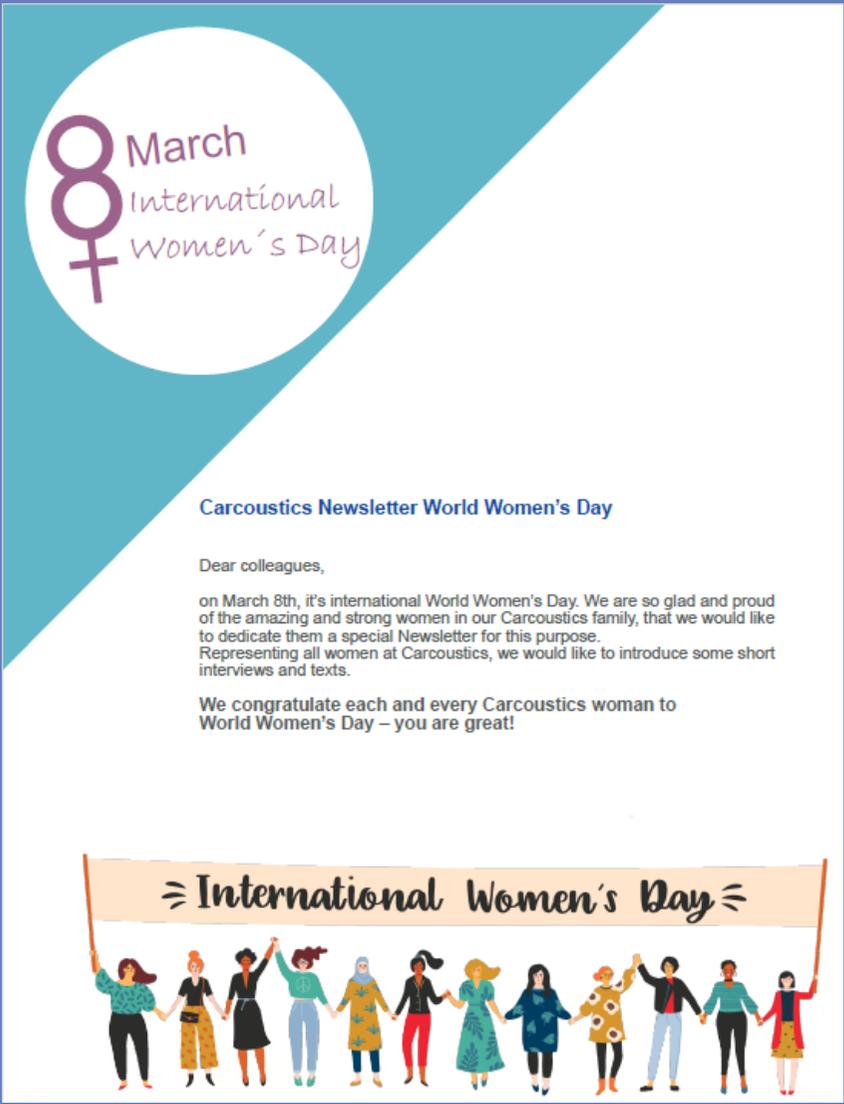
Share of headcount per region



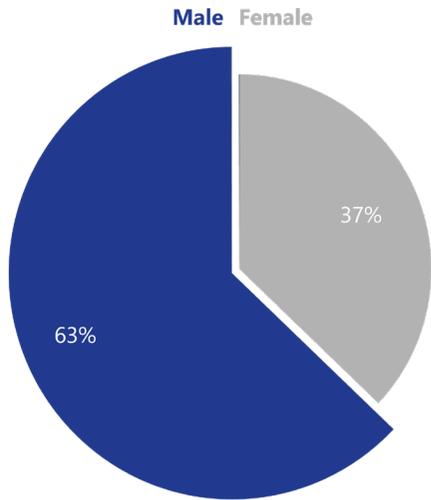
Share of headcount per age group



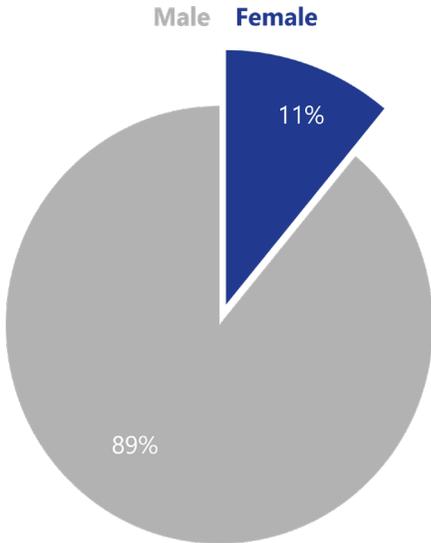
Employee structure



Carcoustics Newsletter for World Women's Day



Share of headcount by gender



Share of women in top management

People & Diversity

For Carcoustics, as a company with a global presence and diverse and international teams working together on a daily basis, diversity and non-discrimination play an important role. Ethical behavior and non-discrimination is built into our onboarding process from day one and continues to guide our employees as they move forward at Carcoustics. Having a diverse workforce, whether in regards of age, gender, background, education or even interests, is a key factor in Carcoustics' success. In order to further and better promote our general diversity and especially disadvantaged groups, we offer special training and awareness programs. As part of these, for example, we published a World Women's Day newsletter and participated in the annual Girl's Day whenever external circumstances allowed.

Training & Development

As part of the company values, lifelong learning is the key to success - for employees as well as for the company. Therefore, in 2021, the focus remained on filling vacant positions with internal candidates in order to promote the professional development of employees and broaden their mindset and skills. Carcoustics' specific know-how can thus be retained in the company in the long term and we can secure an experienced workforce for the future. There are various examples of employees who have built their careers at Carcoustics, and the goal is to continue to support employees in their individual career planning. Our „Win a Talent“ initiative, in which all open positions are advertised internally to encourage employees to apply for open positions and to recommend people outside the company for open positions, has two goals: First of all, to increase the internal promotion rate to foster the de-

velopment 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 e-learning provider is offered to our employees since 2019. We were also able to successfully integrate OpenSesame into SAP SF. OpenSesame is a platform with a total of over 1000 e-learning courses on topics such as business skills, technology and sustainability, but also security, human rights and compliance. This enables our employees to receive targeted training on these topics and develop an increased awareness of their importance. We are in the process of providing our employees with even more need-based and sustainable access to learning resources. In this way, we promote the permanent and individual qualification



of each individual and motivate them to regularly expand their knowledge. Of course, this is also another step towards the general digitalization of our processes.

People Benefits & Satisfaction

Carcoustics is proud to offer its employees fair compensation and appropriate benefits. Over the past year, Carcoustics has continued to improve its flexible scheduling for employees to enhance their work-life balance. Offering remote work (flexible, up to 100%) to a large number of employees allows them to better adapt to their personal needs and lifestyle. This also contributes to a more sustainable work en-

vironment by reducing travel to the company. In addition, several employees take advantage of the sabbatical program to take time off for their personal desires or to participate in our company-sponsored e-bike program. Each year, Carcoustics reviews its payment and benefits structure not only internally, but also externally to the market, making adjustments as necessary. As a result, the company receives market reports for each country in which it operates to ensure that payment is not only above legal requirements, but also above the market. Further improving performance and employee satisfaction and retention is a key objective of Carcoustics' People & Culture strategy. The company not only receives internal feedback, but also constantly compares its processes with those of other companies. Carcoustics takes great pride in receiving several awards, such as "Family Friendly Company".

Feedback & 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. It helps to establish an open culture which represents one of the core values of Carcoustics. 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. Financial targets, but also sustainable, innovative and culture targets are the core of our Group targets. In ongoing review workshops, employees talk about goals and what is needed for success in their area. Furthermore, we review the targets at least twice a year to ensure their success. An additional benefit for the employee is a bonus payment according to target achievement 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. With the integration of the annual Appraisal in SAP SF we established at the same time a modern feedback tool to provide transparent and fast impulses for the employees and managers. 360°-feedback is conducted on a needs-oriented basis. Employees receive feedback from various stakeholders within the company. This feedback helps employees to develop by enabling them to build on their strengths and work on their areas of potential improvement. People development is a priority for Carcoustics' top management. Therefore, talent conferences are held to identify high potentials and high performers, discuss possible career paths and

development options for individuals, and ultimately create a common understanding of the Young Talents at Carcoustics and increase the focus on their development.



Health & Safety

Management & Certification

Carcoustics is committed to providing a healthy and safe working environment for its employees and all others who interact 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 original goal of continuously laying the foundations at Group level from 2020 has been fully achieved. There is a fully implemented occupational health and safety management system covering all our production sites. After a series of successful audits by TÜV Rheinland in early 2021, it was confirmed that our management system is fully compliant with ISO45001, which we received on July 6, 2020. The central position of „Global Occupational Health and Safety Officer“ continues to ensure the maintenance of the management system throughout our group and works with local occupational health

and safety officers at all our plants to implement new concepts for continuous improvement. Many occupational health and safety-related sub-processes are now fully integrated into the company's integrated management systems (IMS). Examples of these corporate standards are:

- Management of the health and safety risks and opportunities (KP8.6.4PD01)
- OH&S 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)
- Status of OH&S (MP4.3.4FO07)

Accident Management

Accident and near miss tracking tracks every incident, regardless of severity, and is reported monthly.

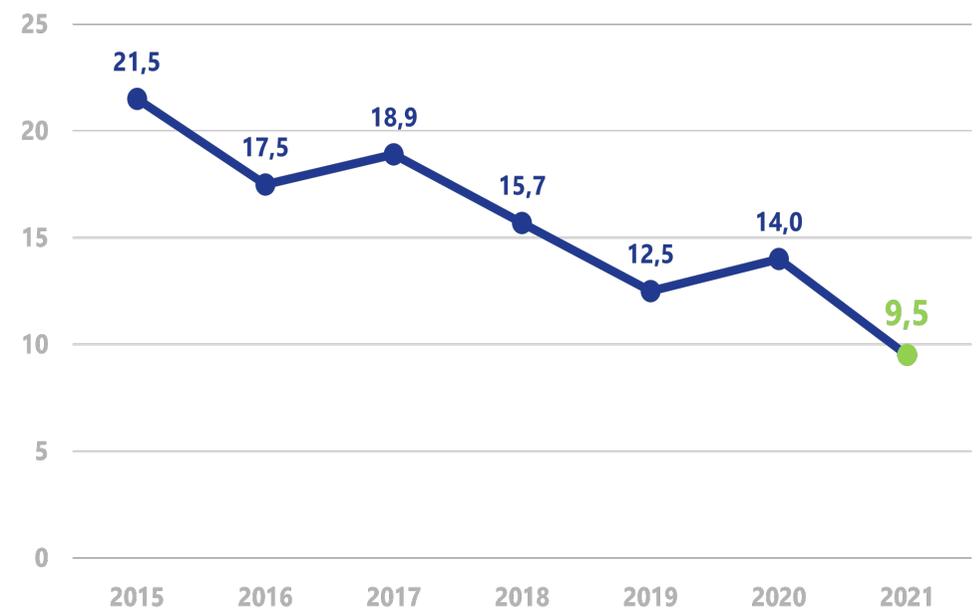
Our target for a "1000 man quote" in 2021 was:

- up to 10 - acceptable
- more than 20 - not acceptable

The 1000-man quota shows how many serious accidents we have had in recent years. The

trend over the last years is tracked for each plant. There is also an annual report where you can see all serious accidents in the Carcoustics Group at a glance.

In total, we had 23 accidents in 2021 (with absences >3 working days in the Carcoustics Group and an average of 2424 employees). This means that our 1000-man ratio was 9.5, which is significantly better than the year before (14.0)



1000 man quota trend

in 2020) and a reasonable result when compared to the market.

Thus, the 1000-man quota in 2021 reached the previously set target for the Carcoustics Group and continued the positive long-term trend of recent years. Nevertheless, we are of course not satisfied with this result but are continuously working on minimizing risks for our employees.

Our programs at the various sites include many different measures, ranging from a company doctor, the offer of vaccinations and voluntary health checkups, to regular meetings attended not only by our management team but also by team members from different areas.

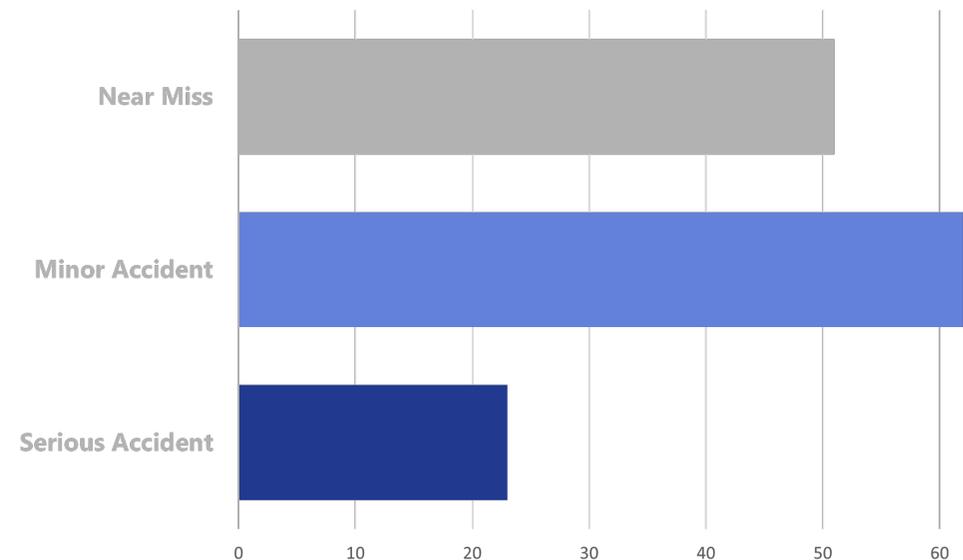
Top management and other occupational health and safety staff were very focused on eliminating the negative effects of the Corona pandemic:

- A Corona team was formed to publish regular news on current activities, emergency actions and trends in all plants (countries).
- Numerous emergency measures have been established, e.g. measuring the body temperature of our employees, providing appropriate PPE (masks, protective shields, respirators, etc.), disinfection and cleaning measures, Covid-19 testing for our employees at most of the affected sites in cooperation with local medical services.
- An extended implementation of the mobile work
- Flexible working hours
- Production planning with a focus on sufficient manpower and minimizing risks on production areas

Lesson Learned

One of the highest priorities since the beginning of the implementation of ISO45001 has been to strengthen and standardize the thorough investigation of safety accidents using the 8D approach. A very detailed root cause analysis and definition of corrective and preventive actions is organized in our plants and ends with the „lessons learned card“. A new international sharing system has been developed and put into practice.

Now all local safety officers have the opportunity to learn and evaluate the applicability of preventive measures from safety incidents that have already occurred in other plants. A total of 25 different Lessons Learned Cards (LLC) were issued and evaluated according to a standardized matrix.



Accidents & near misses

Social Engagement

Carcoustics believes that it is not only 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 the 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 participating in 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 Leverbkusen, 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.



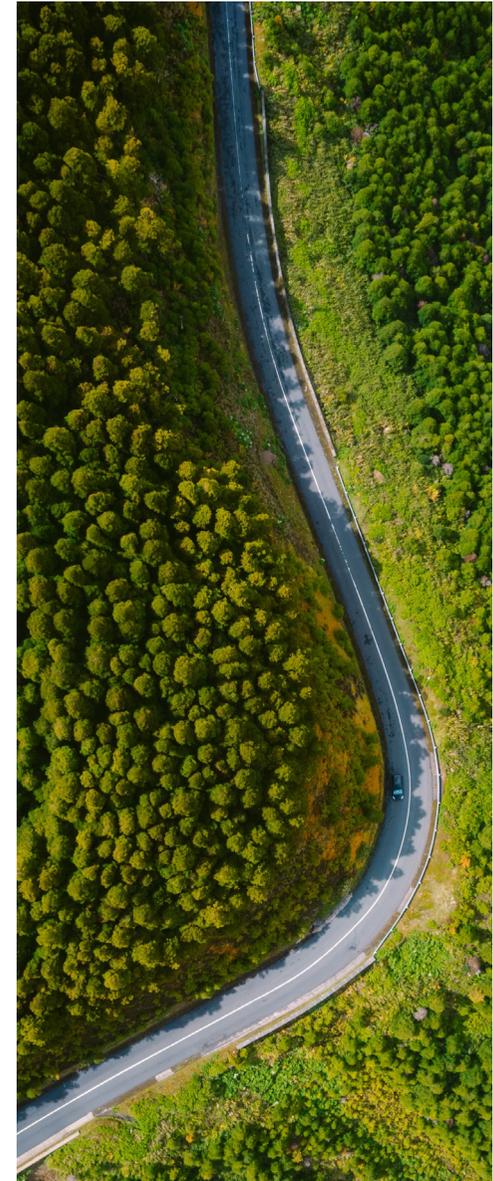
Closing Statement

Sustainable Implementation in the corporate culture

In contrast to the slow recovery from the economic impact of the Corona pandemic, the shift in technology and demand towards sustainable product solutions in the automotive industry has continued to accelerate. Carcoustics sees this development not only as an urgent need to safeguard the livelihood of future generations, but also as an opportunity to become a pioneer in the insulation products supply industry through innovation and experience. In addition to a newly created position for general sustainability management, a core team consisting of the heads of the most relevant departments provides the right impetus to establish the guiding principle of sustainable development in all areas. As a result, the first successes and initiatives can already be reported:

Our corporate policies have been revised or rewritten with regard to sustainability aspects in order to communicate to both our internal and external stakeholders which values and principles Carcoustics embodies, demands from its business partners and defends against violations. This requires continuous risk analysis to enable early identification and avoidance of such risks. Part of this procedure is also the questioning and evaluation of our suppliers, on whom we place similarly high demands as on ourselves. In product and process development, the results of our comprehensive life cycle analyses will in future provide new starting points for minimizing the environmental footprint of our business activities and products and improving the sustainability performance of the entire Group.

At our production sites, for example, this will be achieved through the construction and use of our own facilities for electricity generation and the more efficient use of thermal energy. Even though we have already made extensive and successful efforts in the area of occupational safety, we want to continue to work on reducing the potential risk of accidents to a minimum and to offer our employees an attractive and safe workplace. Of course, this also includes training and development programs to enable our employees to fulfill their professional and private self-fulfillment.





Reporting Practice and Standards

Sustainable operating practices also include the open handling of information that is in the interest of all internal and external stakeholders. We have therefore again used the standards of the Global Reporting Initiative (GRI) as a guide in preparing this year's Sustainability Report and have endeavored to expand the information considered and reported. The report refers to most of the GRI Core Standards and a few more in each of the topic-specific segments. The following Content Index provides an overview of the disclosures made and refers to the relevant section of the report.

The calculation and evaluation of our greenhouse gas emissions are based on the GHG Protocol and the publications and databases on which it is based. This will also be used for the future inventory of our Scope 3 emissions, which we are planning for the first time in the current fiscal year. For the life cycle analysis of our products, we use the GaBi tool, which is widely used in the industry and prepares the life cycle assessment in accordance with the CML method as per DIN EN ISO 14040.

Imprint

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