

SUSTAINABILITY REPORTING

of Klöckner & Co SE

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1. Klöckner & Co SE sustainability reporting 2019

[Klöckner & Co is one of the largest producer-independent distributors of steel and metal products worldwide. As we are not tied to any particular steel producer, customers benefit from our centrally coordinated procurement and wide range of national and international sourcing options from around 60 key suppliers across the globe. These include the world's largest steel producers and their distribution arms. Sustainability is an issue of special importance at every link in the steel value chain. Although the steel industry's large environmental impact has already shrunk considerably in recent years, production in particular is still associated with high levels of resource use. However, we as a distributor and important link in the value chain also see it as our duty to continuously improve processes in order to minimize the adverse effects of our business activities. Our workforce of some 8,300 apply their skills and enthusiasm day in, day out to meeting our customers' needs and wishes. At Klöckner & Co, we provide customers with all key product-related services: consulting, procurement, stockholding, processing as well as distribution of steel and metals. Furthermore, we are increasingly digitalizing processes from sales to order fulfillment. With our know-how and technical capabilities, we develop and deliver comprehensive solutions – for companies of all sizes and industries of all kinds. Through our distribution and service network comprising around 160 locations in 13 countries, both in Europe and on the American continent, we serve more than 100,000 customers. Concentrated mainly in the construction as well as the machinery and mechanical engineering industries, our customer base consists primarily of small to medium-sized steel and metal consumers. In addition, we supply intermediate products for the automotive, shipbuilding, consumer goods industries and other small sectors.

Responsible conduct plays a central role in relation to our business model and our self-perception as a tradition-rich company. For us, responsibility means aligning our entire enterprise around good ethical behavior, social responsibility, environmental compatibility as well as commercial success. This ethos is enshrined in our Group-wide Klöckner & Co Principles, which ensure that we share a common understanding and provide specific guidance for our conduct on a day-to-day basis.

Group non-financial report in accordance with Section 315b of the German Commercial Code

The following sustainability reporting for 2019 includes the Group non-financial report of Klöckner & Co SE in accordance with Section 315b of the German Commercial Code (HGB). In the Group non-financial report, we present the non-financial issues of major relevance to our business activities together with the impact of those activities on aspects comprising environmental issues, employee issues, respect for human rights as well as anti-corruption and bribery. In addition, we provide transparent reporting in the following on our broader engagement with regard to sustainability.

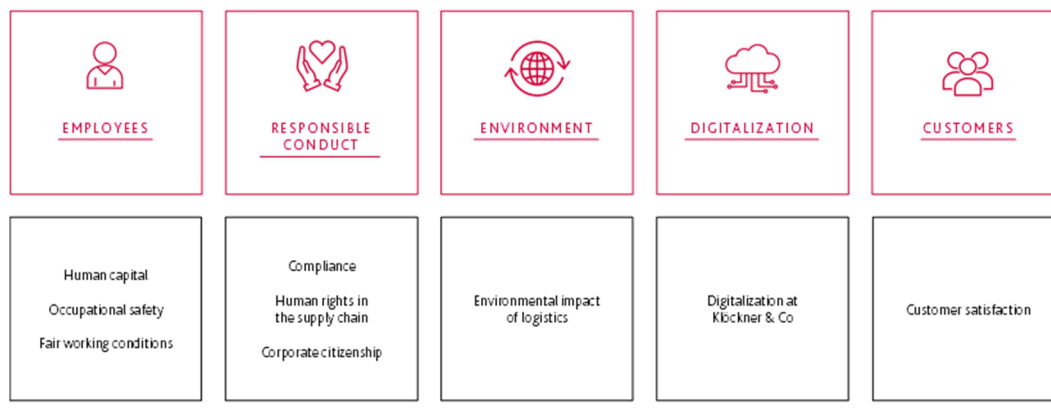
The reporting period for the Group non-financial report is fiscal year 2019. Unless otherwise specified, the information covers all fully consolidated companies of the Klöckner & Co SE Group. Following re-evaluation, we decided against using a framework in the preparation of the Group non-financial report, as we do not require a framework to present the relevant information in a structured and stringent manner. However, verification of the use of a framework is regularly carried out.

Ernst & Young GmbH was engaged to provide a limited assurance review of the information items marked with the [...] ✓ symbol in the German PDF version of the report for the period January 1, 2019 to December 31, 2019. The marked, audited sections of the text form part of the mandatory non-financial report and must be distinguished from the remaining, voluntary disclosures within the sustainability reporting.] ✓

Materiality analysis

[The topics to be included in the Group non-financial report are specified and formulated within the context of our sustainability management. In order to identify the material content, we conducted a comprehensive Group-wide materiality analysis in 2017. Potential sustainability topics were initially identified in a working group comprising selected departmental and functional managers. The findings were subsequently confirmed in dialog with internal and external stakeholders. The prioritization of the issues reflects their importance in terms of business relevance (results of operations, financial position and net assets, innovation and reputation) as well as the impacts of our business activities and the upstream supply chain. In this context, only topics that are both highly relevant to our business and have a strong impact on reporting-related aspects were categorized as material. The results were coordinated with the CEO to ensure comprehensive and integrated reporting for the Group.] ✓

Our five action areas



Five action areas and six material topics

[Our sustainability strategy and sustainability management are arranged around the five action areas of employees, responsible conduct, environment, digitalization and customers.

In addition, these are further divided into subsections. The topics are reviewed in a regular process and refined where necessary. As in the prior year, material topics for reporting under the CSR Directive Implementation Act are human capital, occupational safety, compliance, human rights in the supply chain, environmental impacts of logistics and digitalization at Klöckner & Co. In addition, we also report on other topics in our sustainability reporting for 2019 that are of relevance to Klöckner & Co in connection with sustainability.] ✓

No reportable risks

Risk assessment

[A risk assessment has been conducted for all material issues under the CSR Directive Implementation Act. This investigated whether our business activities or our supply chain give rise to material risks to reportable aspects under Section 315b read in conjunction with Section 289c (2) of the German Commercial Code. The investigation took into account the probability of occurrence and the scale of negative impacts on each aspect. No reportable risks were identified.] ✓

Economically, ecologically and socially responsible management

Sustainability management

As a tradition-rich company, Klöckner & Co considers it its duty to ensure its own future viability by means of long-term, strategic goals. In this process, responsibility for the bulk of internal and external stakeholders plays an important role that follows from the size and international presence of our business activities. To shape these relationships in the long term and in a responsible manner for the benefit of all, we bundle all relevant activities in a Group-wide sustainability management system that covers the three dimensions of sustainability – economic, environmental and social. The member of the Management Board with responsibility for this thematic area is the CEO, Gisbert Rühl. Responsibility for sustainability management, coordinating all sustainability activities and compiling the Group non-financial report lies with the Investor Relations, Internal Communications & Sustainability department. In addition, a Sustainability Committee was set up at the end of 2016, composed of managers from Investor Relations, Internal Communications & Sustainability, Legal & Compliance/Personnel & Insurance, Group HR and Digital Transformation. Logistics & Operations assumes responsibility for sub-sections of the former Safety, Health, Environment and Quality (SHEQ) Management in the Digital Transformation unit. The Sustainability Committee determines the main pillars of the sustainability strategy and, regarding its implementation, coordinates its activities closely with the respective departments across the Klöckner & Co SE Group.

Alongside the expertise bundled in our Sustainability Committee, we purposefully harness our employees' innovative drive. In the reporting year, our employees submitted 36 ideas and suggestions via the Company-wide social network Yammer. These were subsequently aggregated and their feasibility evaluated by the Investor Relations, Internal Communications & Sustainability department as well as relevant experts. At the same time, we developed an internal sustainability campaign to ensure that everyone at the Company is sensitized to this issue in their professional and private lives. Engaging all staff members outside of hierarchical structures results in significantly stronger identification with the issue of sustainability. The commitment shown to the campaign as a whole by employees from different countries and spheres of activity is testimony to how seriously every single Klöckner & Co staff member takes our Company's forward sustainable development. By way of example, the frequent calls to minimize the use of paper are worth mentioning. In addition to recommendations for reducing printing and opting in favor of recycled paper, we have introduced a digital invoicing system. Billers have been asked to send paperless invoices via e-mail.



EMPLOYEES

The **Employees action area** includes the two topics of human capital and occupational safety that are material to the Group non-financial report. This section also contains reporting on the topic of fair working conditions.

A qualified, motivated and healthy workforce paves the way for Klöckner & Co to generate added value – for employees, for the Company and ultimately also for our customers. If we are to keep the entire workforce motivated, nurture talent from within our own ranks, recruit new talent and secure employee loyalty, we need a working environment characterized by long-term security, supportiveness, professionalism and mutual respect. Such a working environment is vital to Klöckner & Co's success – and for every employee to be able to develop and realize their full potential.

We create added value

This is also reflected in our Klöckner & Co Principles for all employees, which guide our day-to-day conduct and which clearly delineate responsibilities. Our leadership principles geared to sustainable value creation and continual performance improvements are integrated into the new Klöckner & Co Principles. These are: We take responsibility. We create added value. We are team players. We develop. We discover new things. We make things possible. Rather than just telling our employees what to do, our executives aim to develop their teams and empower them to take decisions independently. Our employees take personal responsibility and actively put forward their own proposals. Regular dialog and feedback – including across hierarchical levels – thus generate added value for the Company and development opportunities for each individual.

Human capital

[Dedicated and qualified employees are a key factor in our success as a service provider. That is why we offer employees a wide variety of further training and personal development opportunities. Another focus is on nurturing new talent. Particularly with a view to demographic change, recruiting and securing talent for the long term is central to our corporate success.

Targeted employee development

Our activities are directed at continually refining and enhancing workforce qualifications and skills – notably with regard to digitalization – and promoting talent from within our own ranks. The vast majority of country organizations perform these activities locally and have their own HR developers. In addition to individual targets, target agreements for managerial staff and HR developers include long-term targets for implementation of the Group-wide HR strategy.

The CEO is updated via ongoing exchange about developments in and outcomes of such activities, and ensures that the thematic areas covered by the Group-wide HR strategy are driven forward. Our HR strategy is based on the pillars of leadership and corporate culture, systematic performance, talent and succession management as well as improvements to make us an even more attractive employer. As the latest employee survey shows, the workforce views these five thematic pillars in a predominantly positive light. At the start of the year, we once again conducted a Group-wide employee survey. Almost all of the organizations participated. Much like with the previous survey in 2015, the results provide the springboard for developing new human capital measures. Besides the response rate of some 60%, we are especially gratified by the levels of employee satisfaction and trust in management. A total of 78% of respondents said they are happy to work for Klöckner & Co. And 83% feel they are treated with respect. More than three out of four (77%) are familiar with the Klöckner & Co strategy and 78% know how they can contribute to reaching corporate goals.

In-house Online Academy

To promote the personal development of employees throughout the Group and prepare them for a digital future, Klöckner & Co offers an extensive range of online training courses through our "Digital Academy". Staff at every location can take these courses during working hours. In 2019, our further training focused on such topics as digitalization basics, coding, online marketing and digital business models.

Klöckner & Co additionally provides individual support for training taken on employees' own initiative. In the reporting year, we optimized our employee appraisal process so that virtually all country organizations conduct reviews on an annual or in some cases even a six-monthly basis. The new appraisal process is not only more employee-focused and flexible, but is also conducted via a user-friendly software interface. Employees receive feedback on their performance and individual wishes and training courses are incorporated as part of target agreements. These procedural changes are a response to the January 2019 employee survey, in which 19% of respondents indicated that they do not receive regular feedback. We concluded that improvements were needed in this regard.

The "CLEAR Sales – selling through the eyes of your customer" training course remains part of our training portfolio throughout Europe. Rolled out in the 2018 fiscal year, the course was very well received by participants and country CEOs. With its focus on communications as well as building and strengthening customer relationships, this sales training teaches participants how to better identify our customers' needs and offer them tailored solutions.

Training tailored to our digital transformation

In parallel, there are internal measures to foster young talent, such as the Emerging Leaders Program – a global development program for tomorrow's aspiring executives. The program both teaches and acts as a refresher for expertise essential to the digital era and the future of the Group. Topics range from contemporary business administration knowledge, leadership and change management skills to agile working methods, and serve as an effective toolkit for innovative and customer-centric business practices tailored to our digital transformation. The promotion rate for the first Emerging Leaders from 2015/2016 is 62%. The second cohort completed the program at the end of 2017 and already successfully hold branch manager or operating leadership positions. To date, 64% of this cohort have climbed a step up the career ladder. With the third intake, which started its journey in the reporting year, the Group-wide assessment center was for the first time run exclusively online via a digital platform. This meant the assessors enjoyed greater procedural flexibility and were able to conduct more candidate selection interviews.

Following the first successful pilot program in Germany, a Country Talent Pool Program was launched in all country organizations in 2018. Young talent is selected and provided with targeted support and training over a period of twelve months. Participants complete five modules, each in a different location. This program has been launched in all countries and the second cohort in Germany have already completed the program.

For career starters and students, Klöckner & Co offers Group-wide internships and working student positions, where they can apply and consolidate content from their studies in real-life business situations. Our German activities in this connection follow the quality standards of the "Fair Company" initiative, for which Klöckner & Co reaffirms its commitment each year.

In the reporting year, we participated once again in the prestigious Ruhr Fellowship Program. This exchange program allows students from elite US universities, such as Princeton, Harvard and Yale to spend several weeks in Germany's Ruhr region. After completing an academic and cultural program comprising talks, courses and excursions, participants undertake an internship at a local business, such as Klöckner & Co.

We also offer a large number of apprenticeships and equivalent programs to provide young people with a career entry point while ensuring that Klöckner & Co is able to secure well-qualified young talent. In Germany, apprentices accounted for 6.1% of our entire workforce in the reporting year. We recently added an apprenticeship for e-commerce merchants – a training occupation which was accredited on August 1, 2019.

The fact that our further training activities are well received is demonstrated, for instance, by the results of our employee survey and the consistently positive feedback regarding our Emerging Leader Program as well as our kununu rankings, where we are regularly rated a top employer. In the "FOCUS employer awards" (which are held in cooperation with the statistics website Statista, the career portal Xing and kununu, Europe's biggest employer ranking portal), we were again recognized as one of Germany's top employers in 2019. According to a study by the F.A.Z. Institute and the IMWF Institute for Management and Economic Research, Klöckner & Co was also one of Germany's most attractive employers in 2019. The results of the study take into account the following factors: employer performance, profitability, product and service offerings, sustainability and management leadership.]√

Occupational safety

[Occupational safety is a key issue for us as a steel distributor with a high percentage of wage earners employed at our branches. A healthy and safe working environment both protects our employees and ensures smooth process workflows. Compliance with occupational safety regulations and laws forms the basis for safe and healthy workplaces.

Safety 1st. Always.

Over and above the legal requirements, the topic of occupational safety is addressed at various levels of Klöckner & Co.

At a **corporate strategic level**, all our occupational safety activities in Europe have been brought together under the "Safety 1st" initiative since 2013 and similar initiatives at our American country organizations. These are always being expanded with a view to continual improvement. A global "Safety Perception" survey, for instance, was carried out jointly with the management consultancy DuPont in late 2018 and the individual countries' respective safety action plans were called.

LTIF value reduced to 10.3 in 2019

The Group-wide goal of our occupational safety initiatives and activities is a consistent reduction in occupational accidents as measured by the "Lost Time Injury Frequency" (LTIF). This is defined as the number of accidents/number of hours worked x 1,000,000. We take accidents into account from the first working day lost. Changes in the LTIF are a firm feature of regular Management and Supervisory Board meetings and are captured in monthly reports. In the 2019 reporting year, the LTIF was reduced to 10.3, as compared with a value of 13.3 in the previous year. Our target for 2020 is to permanently reduce the average Group-wide accident frequency to an LTIF value of 10.0¹.

To ensure regular exchanges on the topic of occupational safety in Europe **within the Group**, we have established a committee comprising experts from the European country organizations. It meets twice a year and is responsible for monitoring the overall activities and coordinating our occupational safety strategy. The committee liaises closely with the US country organizations and reports directly to the managers responsible for operations.

All European country organizations with the exception of Belgium have already implemented occupational health and safety certification, usually under the international standard OHSAS 18001/ISO 45001.

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

Local occupational health and safety officers sensitize employees at individual branches. This is done by such means as training courses and training videos as well as by visual means including posters, accident reports and a safety card that memorably presents key rules of conduct in credit card format. In addition, all visitors are required to wear helmets, safety shoes and high-visibility vests. Our operational processes are also optimized on an ongoing basis with individual improvements according to context. As early as 2018, a new series of educational videos was created, which was continued with a fourth episode in the reporting year. We also introduced a "Safety 1st e-learning course" that has been a firm feature of the onboarding process for every employee since the start of the year.

Accidents are always avoidable and preventive action enables us to avert loss or harm to employees or our business in advance. In the event that an accident does happen, the occupational health and safety officer analyzes it together with those concerned in local teams in order to identify measures for improvement and systematically avoid a repeat occurrence. The country organization officer files a detailed accident report to the holding company's occupational health and safety officer via our reporting system. Additional specific action is taken in the event of any unusual occurrences such as a spate of similar accidents at one country organization or location.]√

¹ The LTIF applies solely to Klöckner & Co employees. Commuting accidents are not included.

Fair working conditions

For Klöckner & Co, fair working conditions are the basis for the motivation, and hence productivity, of our employees. A working environment characterized by mutual respect and free from discrimination of any kind is a necessary precondition for motivation and creativity.

In accordance with our Code of Conduct, we have undertaken to ensure, among other things, that our colleagues, applicants and business partners are met with respect and judged according to their qualifications, skills and performance. We respect diversity of cultural, ethical and religious backgrounds and are committed to the principle of equality. Detailed rules of conduct for our employees are set out in our Code of Conduct on our website.

In general, we strive to increase diversity in our workforce as well as to foster creativity and an innovative spirit in the Company with employees of differing cultural backgrounds, lifestyles and values. For us as an international Group, serving our customers day in, day out in numerous countries around the world calls for a strong global team with a high level of diversity. In total, we employ people from some 70 different nationalities in our Group. Recruitment criteria are based exclusively on professional aptitude. In accordance with collective agreements, we also do not differentiate in terms of pay.

However, diversity of nationality is not the only important consideration for Klöckner & Co. We also aim to appoint women to specialist and management positions. We have not only set our sights on increasing the number of women in management roles throughout the Group but have already incorporated and begun implementing it in our strategy. So far, the percentage of women employed at management levels one to three below board level has already been raised from 8% in 2011 to 14% in 2014 and on to 17% by the end of 2019. The aim is to have 22% of management positions held by women by the year 2022.

The success of our approach to promoting women in managerial positions is demonstrated by the findings of the 2015 to 2018 iterations of "Frauen-Karriere-Index" (Women Career Index), a regular survey conducted by Barbara Lutz Index Management GmbH. In this annual external survey based on objective corporate data on the promotion of women in management positions, which was released in the first quarter of 2019, Klöckner & Co was singled out for the fourth time in a row as one of the top ten companies out of over 160 participants.

Klöckner & Co was also awarded five out of five possible stars in the 2019 Brigitte study, investigating the best employers for women in Germany. Factors weighed in the study included the compatibility of professional and family life, workplace flexibility, career entry support, positions in top management, value placed on promoting women in the company and transparency. In that regard, Klöckner & Co received a special mention because we prescribe that, in HR consultants' recruitment searches for new employees, a minimum of 30% of the candidates put forward must be women.

Diversity, mindfulness and mutual respect are not only good for the working environment. They also create the right setting for the creation of marketable ideas and innovations. CEO Gisbert Rühl has emphasized that, "Neutrality and openness with regard to gender, origin, age and appearance are our overriding principles in mutual dealings. We are pleased to say that most colleagues abide by this. Discriminatory behavior is completely unacceptable to us both from a human and from a business perspective and is in no way tolerated." For management, this means resolving critical situations, supporting affected employees and thus ensuring a constructive and respectful working environment. To do justice to its importance, the topic of respectful interaction was included in the Group-wide compliance training for all employees.

*Constructive and respectful
working environment*

For Klöckner & Co, consideration of our employees' differing backgrounds and wishes represents a further factor of respect. This is notably reflected in a supportive, flexible and mobile approach to work. At the holding company of Klöckner & Co SE, provision has been made since 2017 for employees to work from a home office in order to organize their roles more flexibly both in terms of working hours and the space used. Similar programs are also recommended for our country organizations. In this way, we aim to make it possible for our employees to better harmonize their personal and professional lives as well as to improve quality and productivity. By giving employees greater autonomy with regard to how they arrange and carry out their work, we also intend to generate a higher level of satisfaction with the work itself and the results achieved.

Responsible Conduct
action area



RESPONSIBLE CONDUCT

*The **Responsible Conduct action area** encompasses two topics material to the Group non-financial report, namely compliance and human rights in the supply chain, as well as Klöckner & Co's corporate citizenship, which is also reported on within this section.*

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

Underscoring this aspiration, we have also publicly committed to a responsible leadership culture. Accordingly, in January 2017, CEO Gisbert Rühl co-signed the "Compact for Responsive and Responsible Leadership" sponsored by the International Business Council of the World Economic Forum. Klöckner & Co is also among the signatories of the "German Industry's Code of Responsible Conduct for Business" and thus gave its commitment as long ago as May 2011 to both success-oriented and value-oriented leadership in the spirit of the social market economy.

An integral part of our corporate culture is compliance on the part of our employees and business partners, constituting the basis of corporate responsibility. Alongside consistent respect for human rights, adherence to our fundamental corporate values and principles is of central importance to us. We have formulated those values and principles in our Code of Conduct. Compliance with this is the direct responsibility of each individual and cannot be delegated.

*Comply with the Code of Conduct
on own responsibility*

As a tradition-rich company, Klöckner & Co also regards it as its duty to contribute to the wellbeing of society. Active involvement in the immediate vicinity of our headquarters and branches is a key aspect and an identity-building factor for our Group.

Compliance

[As an international group with numerous supplier and customer relationships worldwide, Klöckner & Co aims to ensure integrity and responsibility both within the Company and in interactions with business partners, as well as to establish responsible relationships.

We aim to avoid potentially corrupt and antitrust situations as a fundamental rule and to counteract potential violations at an early stage. Every employee is called upon to actively help implement the Klöckner & Co compliance program within their sphere of responsibility.

One of Klöckner & Co's fundamental principles is that our employees act in accordance with prevailing competition law. We are committed to free competition and the recommendations of the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions of December 17, 1997.

Klöckner & Co also endeavors to comply with all anti-corruption laws of the countries in which we do business, including the UK Bribery Act and the US Foreign Corrupt Practices Act.

All Board members, managerial staff and employees must be aware of the extraordinary risks that can be involved in any antitrust or corruption case, both for Klöckner & Co and for the individual. Klöckner & Co expects employees at all levels of the Company, regardless of their hierarchical position, to comply with prevailing competition rules and antitrust laws. The Management Board has unequivocally expressed in its "Tone at the Top" that antitrust violations and corruption are not tolerated at Klöckner & Co and any infringements are systematically pursued. Our employees are provided with a frame of reference and guidance in the form of our Group-wide Code of Conduct together with internal Group guidelines and procedural instructions on topics such as adherence to antitrust rules, the engagement of intermediaries, anti-money laundering, export controls and anti-corruption in business dealings. We expect external business partners to comply with the ethical values and principles enshrined in our Code of Conduct, Supplier Code of Conduct or a comparable code of their own and to implement them effectively in their organization.

*Compliance management system:
prevent corruption and money
laundering*

To support compliance with these stipulations, we have established a compliance management system based on the OECD Principles of Corporate Governance. Focal areas of this system include competition law, anti-corruption and the prevention of money laundering. For the onward development, control and implementation of the compliance management system, we have set up a compliance organization that provides employees with regular information and training on relevant statutory provisions as well as internal guidelines and procedural instructions. In addition, the Chief Compliance Officer reports to the entire Management Board each month on current developments and immediately escalates ad hoc reports to the CEO.

The compliance organization conducts regular compliance risk assessments with the country organizations. As part of risk analysis, the compliance organization evaluates individual compliance risks together with the managing directors of the various country organizations and takes precautionary action. During the reporting year, no need for action was identified in the risk areas of antitrust law and corruption beyond the measures already taken.

In cooperation with the Corporate Internal Audit Department, compliance audits are also carried out in our country organizations as part of the scheduled ICS audit to verify adherence to the compliance tools and rules implemented.

To prevent corruption, we established strict criteria for the engagement of intermediaries as long ago as 2010 and subject intermediaries to compliance screening before entering into a contract with them. Klöckner & Co makes use of an external service provider for this purpose. The screening is repeated at set intervals and according to risk. All level 1/level 2 managerial employees are additionally subjected to independent integrity screening supplemented with regular self-disclosure questionnaires.

In the interest of all employees and to avert damage to the Company, procedural instructions are provided that detail permissible conduct. The country organizations publish the Group guidelines and procedural instructions in their area of responsibility and adopt the measures needed to implement the respective requirements. For this purpose, use is made among other things of the Corporate Compliance Office's Compliance SharePoint, where all relevant compliance documents are provided online as a "Single Point of Truth" for all Group employees. A new e-learning course aimed at renewing compliance declarations, together with awareness training on various forms of CEO fraud, was developed and rolled out in the reporting year. Within the scope of the e-learning program, employees were updated on changes and submitted a new version of the declaration.

Classroom training and e-learning programs familiarize new employees with the content of the Code of Conduct and raise awareness of, for instance, compliance-related issues such as antitrust law, corruption risks, money laundering risks and fraud. We first separate employees into different target groups which receive training tailored to their specific areas of work. New hires must complete Code of Conduct training when they join. In addition to all new employees, we started registering all industrial workers in Europe for Code of Conduct training in the reporting period. Prior to 2019, industrial workers were not included in Code of Conduct training for new hires, which is why they are receiving instruction starting this year. In the reporting period, some 940² employees underwent training.

On starting work for the Group, employees in certain target groups, especially those who come into contact with officials, customers, suppliers and service providers, must complete basic compliance training in addition to Code of Conduct training. In the reporting period, we also expanded the number of employees registered for basic compliance training to roughly 610².

Additionally, we conduct refresher e-learning sessions throughout the Group to keep our employees up to date and address specific compliance-related issues with examples from their day-to-day work. In the reporting year, basic compliance training was expanded to include a new module on CEO fraud. All previously mentioned mandatory and other training options remain on offer and available this year.

If they have a question about ethical conduct or doubts about the legal position in a given business situation, employees can always approach a contact within our compliance organization at the holding company or locally in their country organization. Our employees and business partners additionally have the option of directing information on potential compliance violations and/or breaches of our Code of Conduct directly to the Corporate Compliance Office. A telephone and web-based whistleblower system operated by an external service provider is available for this purpose. The whistleblower system can be accessed free of charge from anywhere in the world and can also be used anonymously.

The effectiveness of our compliance management system is reflected in the figures: We had no serious breach of our guidelines to report this year, and none of our 13² reviews of individual business locations by Internal Audit identified material antitrust risks or corruption or bribery infringements.] √

Human rights in the supply chain

[Klößner & Co SE and its country organizations pay attention to ethically correct and compliant behavior in business dealings. This concerns both our own Company and all upstream parts of our value chain. We expect everyone in our supply chain to follow the same principles.

As stated in our Code of Conduct and moreover in our Group human rights policy, Klößner & Co does not tolerate any violation of the principles set out in them. Alongside observance of laws and human rights, these principles include the prohibition of child labor and ensuring workforce health and safety as well as compliance with the statutory minimum wage and working hours.

² Data for the period October 1, 2018 to September 30, 2019.

In order to clearly convey this expectation to our suppliers, we introduced a Supplier Code of Conduct in fiscal year 2018, which is available on our website and was also sent out to all key suppliers. By signing this document, suppliers commit to observing the applicable laws, sustainability and the ethical values of Klöckner & Co. If a supplier has its own equivalent company code of conduct, the Corporate Compliance Office verifies the equivalence of the requirements. If this verification uncovers major discrepancies in the areas mentioned and the supplier declines to acknowledge our Supplier Code of Conduct, further purchases from that supplier are blocked. The verification process did not determine any discrepancies in the reporting year.

We generally seek long-term relationships with suppliers and work together with them wherever possible to deliver improvements and sustainable solutions. Two-thirds of our key suppliers have been supplying Klöckner & Co for more than five years and have shown themselves to be reliable business partners.

Prudent and responsible product procurement is of special importance to Klöckner & Co. For example, a key goal in the procurement process is to ensure that minerals contained in our products are not from conflict states.

*Reviewing our product portfolio
for conflict minerals*

A particularly important concern for us as a distributor is the origin of the minerals incorporated in the products we sell. The importance of this topic is also reflected in requirements laid down by our international customers, who expect us to provide clear proof of origin. Of particular interest in this regard are conflict minerals such as columbite tantalite (coltan), cassiterite, gold, wolframite and derivatives, which include tantalum, tin and tungsten. The annual review of our product portfolio in fiscal year 2019 showed that less than 1% of our products possibly contain tantalum, tin or tungsten.

Since the entry into force of the Dodd-Frank Wall Street Reform and Consumer Protection Act as well as notably the Conflict Minerals Rule, Klöckner & Co analyzes every year whether conflict minerals are used in the manufacture of the products concerned and, if so, whether they originate from the Democratic Republic of the Congo or neighboring states. Those neighboring states today comprise Angola, Burundi, the Central African Republic, the Congo, Rwanda, South Sudan, Tanzania, Uganda and Zambia.

If suppliers manufacture components, parts or products using the minerals in question, we require that those materials are not sourced from the aforementioned states. We use the Responsible Reporting Initiative's "Conflict Minerals Reporting Template" to systematically track the provenance of conflict minerals for all relevant suppliers if our customers request corresponding proof. We expect our suppliers, together with their subcontractors, to trace conflict minerals at least to where they were smelted and to commit to standard reporting processes. Klöckner & Co reserves the right to demand supply chain verification from its suppliers and, where appropriate, to trace conflict minerals back to the mine of origin. For their part, suppliers should also formulate and implement conflict minerals policies and principles. If possible, they should require their upstream suppliers to adopt and follow corresponding policies and principles.

We expect our suppliers to retain the relevant documentary proof for five years and to submit it to Klöckner & Co on request. Should a supplier fail to provide proof of origin for conflict minerals, further purchases from that supplier are systematically blocked. The same applies if the supplier does not acknowledge the above principles regarding the source of conflict minerals. In the 2019 reporting year, no suppliers needed to be blocked for failure to provide proof.] ✓

Corporate citizenship

Klöckner & Co operates in 13 countries worldwide, maintains some 160 locations and employs around 8,300 people. This gives rise to responsibility not only for our employees, but also toward the regions in which our headquarters and branches are located. We consequently give our commitment to the immediate surroundings of our locations and, in this way, play our part in meeting social challenges.

*Active, local community
engagement*

Our goal is for the financial support we provide to benefit those who really need it. Donation and sponsoring activities are conducted autonomously by our country organizations as they are best placed to judge individual needs in their region. They are provided with a framework in the form of Group-wide procedural instructions through which we ensure that our activities have a common thrust while being tailored to individual market conditions. The focus of our activities is on supporting selected scientific, sports, art and cultural projects along with ongoing promotion of education initiatives and the integration of refugees into our society.

In order to avoid conflicts of interest, we do not as a matter of principle donate to political parties, individuals, for-profit organizations or organizations whose goals conflict with our corporate governance principles or could harm our reputation.

REGIONAL AID PROJECTS

Klöckner & Co has a clear strategy for supporting non-profit projects in Germany: Our aim is to improve educational opportunities for disadvantaged children who live in our immediate vicinity over the long term. To achieve this goal, our contribution centers on local projects to educate children and young people or cater to their basic needs in Duisburg, where our headquarters are located.

For ten years now, we have focused on neighborhood work in the Marxloh area of Duisburg, where a large number of residents have a migrant background.

*Focus on neighborhood work in
the Marxloh area of Duisburg*

In this area, we work with schools, children's and youth services as well as regional charities. Klöckner & Co's engagement in the area is organized around five strategic pillars to support tomorrow's young professionals and thus make a significant contribution to strengthening the region. Our many years of support provide continuity and sustainability.

1. Basic needs: Klöckner & Co helps organizations in Marxloh to prepare healthy meals so that children and young people can concentrate at school and socialize with each other by sharing a meal, irrespective of their backgrounds.

2. Essential renovation works: In the past, we have already renovated a youth center and renewed the school yard canopy at an elementary school in cooperation with the City of Duisburg. We provided another elementary school where space was tight with multifunctional rooms. In addition, a school's grand piano was re-inaugurated in the reporting year following its refurbishment thanks to co-financing from Klöckner & Co.

3. Strong network: Klöckner & Co frequently makes use of its strong network to enable Marxloh organizations to participate in exclusive projects, such as the annual "Wagner für Kinder" (Wagner for children) costume competition staged by the Bayreuth Festival in cooperation with the Fair Play foundation. Katharina Wagner, great-granddaughter of the composer Richard Wagner, joined with CEO Gisbert Rühl to visit Klöckner & Co's partner schools in Duisburg. Together they designed costumes for the children's opera in Bayreuth. Students at one of the partner schools again got to travel to Bayreuth to see the costumes they had designed on stage during the premiere of the children's opera.

4. School education projects: Since 2013, Klöckner & Co has supported the German National Scholarship awarded by Roland Berger Foundation. This program promotes gifted children with a strong will to learn who come from socially disadvantaged families, with the aim of guaranteeing them the best possible education opportunities and enabling them to complete upper secondary education and/or go on to university. In this way, we significantly contribute to removing barriers to equal opportunities among people of different social backgrounds. A partner school in Marxloh is also a beneficiary of Teach First Deutschland gemeinnützige GmbH's "Fellow" project, through which college graduates provide support to disadvantaged school students in their regular lessons. In the reporting year, we expanded our involvement with the "Tausche Bildung für Wohnen e.V." program, in which six teaching mentors support elementary-school children during lessons, study time and their after-school programs, and also give other neighborhood children a helping hand with their challenging lives outside of their school activities.

5. Music and creative development: Joining forces with the Ruhr Piano Festival Foundation, we developed an education project to foster children's musical and artistic development at different types of schools. First implemented with two schools in 2012, the program has since grown to include six schools with 650 students. In the 2018/2019 school year, the children and teens had 22 performances with audiences totaling nearly 5,000, more than ever before. A total of 730 workshops offered the students opportunities to expand their skills in music and dance. Our musical education work has earned supraregional recognition: After garnering the "Echo Klassik" award presented by Deutsche Phono-Akademie in the "Fostering Young Talent" category in October 2016, as well as the "Junge Ohren Preis" in November 2014, the education program was awarded the renowned "MIXED UP Preis" in 2018. The prize awarded by the Bundesvereinigung Kulturelle Kinder- und Jugendbildung e.V. (German Federation for Cultural Youth Education) and the Federal Ministry for Family Affairs, Senior Citizens, Women and Youth praised the long-term cooperation across institutions and sectors in the "Long-runner" category. These and other awards are proof positive of our successful cooperation, which is to remain part of our activities going forward. The Ruhr Piano Festival Foundation also tackles pressing challenges such as the shortage of teachers, and invited 100 teachers-in-training to a study day in the reporting year in order to call their attention to career perspectives in the local schools.

In addition, Klöckner & Co makes an effort to step up for children on special occasions, including initiatives such as giving all elementary-school children in Marxloh gifts and school supplies at Christmas.

REFUGEE INTEGRATION

The integration of refugees into our society is another highly important concern for us. This particularly includes creating employment opportunities. One area with an especially large number of vacancies is the IT sector, which often makes it hard for companies to find qualified programmers. To help refugees with IT skills enter the job market, the knowledge they bring with them needs to be enhanced and supplemented in line with the needs of the German labor market in general and our business in particular. Under the umbrella of the "We together" German Industry Integration Initiative, Klöckner & Co therefore supports the ReDI School of Digital Integration in Berlin as main sponsor and provides premises for the project.

ReDI is short for Readiness and Digital Integration. Its students are provided with laptops and can attend beginning and advanced programming courses free of charge. Additionally, students are each assigned a mentor to help them take the course content to a deeper level. Organized networking events make for lively contact with the Berlin and Munich start-up scenes. We also have our own presence in Berlin with kloeckner.i, our Group Center of Competence for Digitalization. When filling new positions, we place special emphasis on recruiting ReDI School graduates. Internships prepare ReDI students for potential permanent employment at kloeckner.i, our digital subsidiary in Berlin.

UNIVERSITY EDUCATION

In Germany, we maintain close contact with the European Business School (EBS) and with the University of Duisburg-Essen, where Gisbert Rühl serves as president of the booster club. In addition to high-ranking executives from our Company giving lectures at these two higher education institutions, we take part in dialog events and answer students' questions. Furthermore, we offer students internships during which they can apply content from their studies to real business situations.

For some years now, we have supported the Germany Scholarship in collaboration with the German Federal Ministry of Education and Research. Primarily directed at talented and high-achieving college students, the scholarship gives consideration to specific family and social circumstances. Our aim here is to provide support so that students can excel both academically and socially as well as within the family.



ENVIRONMENT

Environmental impact of logistics

[One of the greatest challenges in the Environment action area and of our times is climate change, and Klöckner & Co regards it as its duty to counter related risks with a suitable contribution to protecting the environment.]

Environmental protection is an important part of our SHEQ policy – our internal occupational safety, health, environment and quality policy. Governance functions related to SHEQ fall under the purview of Logistics & Operations within the Digital Transformation central department. All other functions lie with the country organizations, which have their own logistics departments. The Management Board receives reports on the developments from the central department at the holding company as a matter of course.

Goal: reducing our delivery fleet's CO₂ emission

A significant part of our business model involves shipping products to customers by truck. Klöckner & Co's key task in the Environment action area is therefore optimizing the environmental impact of logistics processes along our value chain. The Group-wide objective of our projects and measures in this area is to maintain our current high service level with fewer trucks, thereby both cutting costs and reducing CO₂ emissions.

To this end, we endeavor to influence the environmental impact of logistics at three levels in our value chain as a matter of principle – receipt of goods, internal transport and delivery to our customers.

At the first level, we strive to optimize the management of incoming goods. The products are mainly delivered to our locations by suppliers. Through the targeted coordination of suppliers at level one coupled with enhanced inventory management at level two, we aim to reduce the internal transport between our locations. This is achieved, for example, through optimized inventory allocation.

In addition, our internal networks in each country organization are checked on an ongoing basis. By monitoring and reporting relevant KPIs such as transport, warehousing costs and shipments, we can see where networks require adjustment.

In the pilot project region in eastern Germany, the warehouse structure was improved, which has further reduced our internal transport from other regions of Germany. France is pursuing the same aim by opening a new central warehouse in Paris to replace two existing ones. Switzerland is also undergoing further consolidation, with eleven steel warehousing locations being reduced to three regional centers. Seven warehousing locations are already closed down, and the eighth and final site will follow in early 2020. In addition to the existing central warehouse in Birsfelden, key warehouses for steel have been set up in St. Gallen and Crissier. This consolidation to a small number of locations increases truck capacity utilization. In addition, all locations at our country organization Klöckner Metals UK and our German company Becker Stahl-Service are already certified to the ISO 14001 environmental standard, which also covers logistics.

Moreover, Kloeckner Metals UK attained BES 6001³ certification for responsible sourcing in the reporting year.

At the third level, the goods are delivered to customers from our roughly 100 warehouse locations in Europe. Here, we pay particular attention to efficient delivery route planning, where key quality aspects include adherence to delivery dates along with ongoing optimum utilization of truck capacity and optimized route planning. Consequently, we launched the universal rollout of transportation planning software back in 2017. This is in operation throughout our EU country organizations with the exception of France. The transportation planning software delivers data we aim to harness to reduce the fuel consumption of the trucks we use. This can include tactics such as avoiding empty runs and fine-tuning delivery frequencies.

Several country organizations deploy state-of-the-art on-board computers that provide continuous feedback on driving behavior, vehicle speed and engine speed, thus helping to reduce truck fuel consumption and hence CO₂ emissions. In Germany, the drivers operating our modern fleet are provided with road training and regular feedback on their driving behavior. At Kloeckner Metals UK, too, the "Safe & Fuel Efficient Driving" program has been in place since 2017.

In addition, our UK organization replaced its own vehicles, and the modern fleet helped to further reduce diesel consumption.

With these measures, and above all the improved delivery route planning, we meet the ever increasing challenges – including smaller consignment sizes – faced in transportation logistics. By way of universally deploying the transportation planning software, we remain firmly focused on meeting our targets for cutting transportation costs while reducing CO₂ emissions through more efficient routes.] ✓

³ BES 6001 is an independent certification system that rates and assesses manufactured products in terms of their responsible sourcing. The standard covers organizational governance, supply chain management and management requirements for sustainable development such as social and economic impacts.



DIGITALIZATION

Digitalization at Klöckner & Co

*[The use of digital tools has become essential for every trading company the world over. This naturally also applies to us as a steel distributor. Alongside the obvious commercial opportunities, ongoing digitalization also presents new challenges for our employees. We tackle these with the measures taken in our **Digitalization action area**.*

The digitalization strategy developed by Klöckner & Co aims to eliminate information asymmetries by digitally connecting all market participants in order to increase efficiency for all. To this end, Klöckner & Co founded a digital unit, kloeckner.i, in Berlin in 2014, which now has around 90 employees. Besides the systematic digitalization of internal and external processes, an essential component of this digital transformation is a profound cultural shift within the Company. Our employees therefore need to incrementally develop their digital mindset, which is crucial to our shared migration to Industry 4.0. We have set ourselves goals for the implementation of our digitalization strategy: By 2022, we aim to generate 60% of all Group sales via digital channels. In order to achieve that, we have developed measures that aim to embed contemporary, digital ways of working and thinking in the Company and thus drive forward our internal cultural shift.

Manage and implement digitalization centrally and locally

All members of the Klöckner & Co SE Management Board are working together to advance our digitalization strategy. However, the CEO has particular responsibility for strategy implementation and receives regular status and progress updates from the relevant functional managers. Operational implementation of the strategy is managed by Digital Transformation together with kloeckner.i, Group IT and external partners, among others. Group-wide, the central departments coordinate the digitalization activities in each country. In Europe, the central departments work with the local digitalization representatives to implement the strategy at the individual branches. They coach their colleagues on digital tools, performing part-time and full-time tasks ranging from weekly update calls to firmly established event formats.

To ensure that everyone embraces and sees themselves as part of the changes, we have prepared a broad range of measures offering all employees the opportunity to acquire digital know-how at their own speed. Employees have access to job-specific, in-house training and language courses via our Group-wide Digital Academy in order to selectively broaden their digital skills. This enables them to take part in online training on a voluntary basis during office hours on our premises or from a home office. The academy offers numerous online courses for users, mostly with the aim of enhancing digital skills. More than 3,100 employees have already signed up for the courses the Digital Academy has to offer, around 2,200 of them in 2019. When things got started in 2016, there were only a few hundred users. Participants' feedback and requests are also taken into account in the development of new course topics so that they have a hand in shaping future training packages. In 2019, new courses were created in the areas of platform thinking, artificial intelligence and agility to specifically address the needs of our employees. Notably the course on agile working, which teaches methodology, stands out for its large number of participants.

In order to provide more in-depth practical knowledge of digital work methods, we have also implemented the Group-internal "Digital Experience" exchange program within our country organizations. Participants' digital and individual skills are further enhanced in a several-week stay at our digital unit kloeckner.i in Berlin. In return, the exchange with colleagues who are mostly involved in business operations gives kloeckner.i first-hand expertise in steel. While in recent years the international exchange program was directed primarily at sales staff, participation was opened up to other areas of the Company, such as HR and apprentices, in the reporting year.

Another key driver of our cultural change is in-depth internal communication to highlight for employees the need for digital transformation and to alleviate any concerns.

As early as 2014, Klöckner & Co introduced the Yammer social network throughout the Company. Today, some 70% of employees use the hierarchy-free communications portal to exchange ideas, enter into discussions and as a valuable information resource. The CEO invites all employees to engage in open dialog on Yammer and uses the tool – in addition, for instance, to regular town hall meetings – as an information channel to communicate on the progress of our digitalization strategy, among other things.

In order to enhance cooperation within the Group, promote agility and inspire enthusiasm for innovations, Klöckner & Co continued with the rollout and refinement of #DigiDesk in the reporting year. This lets the workforce make use of all Microsoft Office 365 applications via the cutting-edge intranet. A hub structure connects all individual #DigiDesks, which are a source of local insights, so that employees can effortlessly exchange experiences, files and news around the world. Toward the end of summer, we also migrated the Digital Academy to the SharePoint environment.

Group-wide collaboration tools

Agility is a key prerequisite for speeding up internal processes and responding instantly to customers' changing wishes – and thus gaining an edge over competitors in the marketplace. By applying agile working methods, we design digital solutions for our customers and partners in the shortest possible time. The Group is continually expanding its agile methods expertise. Two-day scrum courses run by external trainers teach our holding company employees the basics of the agile methodology. Afterwards, a test can be taken to certify the course participant as a scrum master or product owner. In order to also reach employees unable to participate in the courses, we launched an agility campaign on Yammer in 2018 that vividly illustrates the different principles and methods of agile working and thinking. The videos and images proved so popular that we created a poster summarizing the key principles of agility in the reporting year. Furthermore, five branches were invited to enter a competition in the employee magazine with the chance to win a whiteboard as well as agile training on the Kanban method. For Klöckner & Co, the goal is to establish an open learning and failure culture within our Group in order to become faster and more agile as well as less perfectionist in our work. Once again in 2019, colleagues reported in Failure Sessions on projects or experiences that were not successful, and what they learned from them.

This lets us meet the challenges of digital transformation and forge a link between the internal cultural shift and the operational objectives of our digitalization strategy. The growing number of employees registered at our Digital Academy and active in the corresponding Yammer group is testament to our employees' improved digital skills and new way of thinking. This is similarly reflected in the constructive suggestions and ideas put forward by employees with regard to optimizing the speed and quality of our processes.] √



CUSTOMERS

Customer satisfaction

*In the **Customers action area**, both customer satisfaction and customer loyalty are key factors for us that secure Klöckner & Co's long-term market success.*

As an international steel and metal distributor, we aim to offer customers the highest quality and optimum service. Reliable service strengthens our position as the connecting link between customers and suppliers on a lasting basis. High product quality, an extensive range of services and our digital solutions make us a reliable partner to customers from all industries.

Klöckner & Co prioritizes high levels of customer satisfaction and enhancement of our customer focus. This is why, in keeping with the design thinking approach, we always conceptualize products and services, sales channels and innovations from the customer perspective. Accordingly, we actively involve our customers in the process and selectively analyze their personal wishes and needs.

Focusing on customers when developing products and tools

We make use of various agile working methods from the start-up world for this purpose. To keep product development moving forward and on target, we conduct results-driven interviews with customers and use new insight methods such as mapping "customer journeys". These involve visualizing the customer experience, from initial contact with the product through the entire use process to long-term product adoption. The resulting insights help us fine-tune our products, tools and services. On this basis, we first develop what is referred to as a "minimum viable product" – one that initially meets just the most basic requirements. In the past, our development of such products or tools involved significantly greater effort and expense. Every conceivable feature and business contingency had to be catered for in the quest for perfection. In consequence, too much time was spent on product development coupled with high cost and dissatisfaction on all sides. That is why we have adopted the lean start-up approach, also in a variety of in-house projects. This approach makes us significantly faster in that we meet only the most important requirements in an initial stage. Improvements can always be added progressively later on. That way, we also avoid the risk of tying up capacity for new product features that ultimately offer no added value for customers.

Our digital unit in Berlin, kloeckner.i, keeps regularly in touch with customers to obtain information on their requirements and satisfaction levels and to gear development of the digital product portfolio to their needs. In response to requests from our customers, we improved the user-friendliness of our online marketplace by introducing various new features in the reporting year. The Kloeckner Sales Cockpit – a long desired tool – was completed in 2019. Sales and customer service staff can log in as a customer in order to better provide assistance. In this way, they get a detailed view of issues from the customer's perspective and are able to find a tailor-made solution as quickly as possible. The contract platform has been integrated into the online shop so that now customers need only access a single portal for all they require (online shop, overview of orders, offer tool and contract platform).

In addition, customers who contact our customer service department in Berlin are asked whether they are satisfied with the service provided by Klöckner & Co. The accumulated customer feedback helps to continuously improve the digital system landscape and workflows. On average, our customers were very satisfied.

To ensure the effectiveness of our working approaches and gain insights into how they are being received, we conduct regular customer surveys in our country organizations. All customers of our German and Austrian country organizations are asked to give their opinions on various aspects through annual surveys. Aspects covered include availability, product range, product quality, product availability, the processing range, employee proficiency, delivery time, delivery punctuality, order documentation and complaint handling. In 2019, Klöckner & Co Deutschland received an overall grade of 2.25 and our Austrian country organization a grade of 1.75.

*Optimizing systems and processes
with the help of customer surveys*

To obtain meaningful opinions on the Part Manager – a digital platform customers can use to conveniently order and track parts – as well as its influence on perceptions of the company as a whole, a customer survey aimed at determining customer loyalty through a net promoter score (NPS) was conducted in the USA. Responses to the key question about whether respondents would recommend the Part Manager averaged out at 8.61 out of 10 points. Kloeckner Metals Corporation's total net promoter score, which also takes into account other factors such as organizational data and customer characteristics, was 50 on a scale of –100 to +100.

We use these surveys to constantly improve our systems and workflows and initiate measures to enhance customer loyalty. For Klöckner & Co, satisfied customers pave the way for sustained, long-term growth.

Independent Auditor's Limited Assurance Report

The assurance engagement performed by Ernst & Young (EY) relates exclusively to the German version of the non-financial report 2019 of Klöckner & Co SE Group. The following text is a translation of the original German Independent Assurance Report.

To Klöckner & Co SE, Duisburg

We have performed a limited assurance engagement on the non-financial report of Klöckner & Co SE group according to § 315b HGB ("Handelsgesetzbuch": German Commercial Code), whose disclosures are marked with the symbol „√" in the Sustainability Report for the reporting period from 1 January 2019 to 31 December 2019 (hereafter non-financial report). Our engagement exclusively relates to the information marked with the symbol „√" in the German PDF version of the Sustainability Report. Our engagement did not include any disclosures for prior years.

MANAGEMENT'S RESPONSIBILITY

The legal representatives of the Company are responsible for the preparation of the non-financial report in accordance with §§ 315c in conjunction with 289c to 289e HGB.

This responsibility includes the selection and application of appropriate methods to prepare the non-financial report as well as making assumptions and estimates related to individual disclosures, which are reasonable in the circumstances. Furthermore, the legal representatives are responsible for such internal controls that they have considered necessary to enable the preparation of a non-financial report that is free from material misstatement, whether due to fraud or error.

AUDITOR'S DECLARATION RELATING TO INDEPENDENCE AND QUALITY CONTROL

We are independent from the Company in accordance with the provisions under German commercial law and professional requirements, and we have fulfilled our other professional responsibilities in accordance with these requirements.

Our audit firm applies the national statutory regulations and professional pronouncements for quality control, in particular the by-laws regulating the rights and duties of Wirtschaftsprüfer and vereidigte Buchprüfer in the exercise of their profession [Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer] as well as the IDW Standard on Quality Control 1: Requirements for Quality Control in audit firms [IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis (IDW QS 1)].

AUDITOR'S RESPONSIBILITY

Our responsibility is to express a limited assurance conclusion on the non-financial report based on the assurance engagement we have performed.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board (IAASB). This Standard requires that we plan and perform the assurance engagement to obtain limited assurance about whether the non-financial report of the Company has been prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB. In a limited assurance engagement the assurance procedures are less in extent than for a reasonable assurance engagement and therefore a substantially lower level of assurance is obtained. The assurance procedures selected depend on the auditor's professional judgment.

Within the scope of our assurance engagement, which has been conducted between November 2019 and March 2020, we performed amongst others the following assurance and other procedures:

- Inquiries of employees and inspection of documents regarding the selection of topics for the non-financial report, the risk assessment and the concepts of Klöckner & Co SE for the topics that have been identified as material,
- Inquiries of employees responsible for data capture and consolidation as well as the preparation of the non-financial report, to evaluate the reporting processes, the data capture and compilation methods as well as internal controls to the extent relevant for the assurance of the non-financial report,
- Identification of likely risks of material misstatement in the non-financial report,
- Inspection of relevant documentation of the systems and processes for compiling, aggregating and validating data in the relevant areas in the reporting period and testing such documentation on a sample basis,
- Analytical evaluation of disclosures in the non-financial report,
- Inquiries and inspection of documents on a sample basis relating to the collection and reporting of selected data and disclosures,
- Evaluation of the presentation of disclosures in the non-financial report.

ASSURANCE CONCLUSION

Based on our assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the non-financial report of Klöckner & Co SE for the period from 1 January 2019 to 31 December 2019 has not been prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB.

INTENDED USE OF THE ASSURANCE REPORT

We issue this report on the basis of the engagement agreed with Klöckner & Co SE. The assurance engagement has been performed for the purposes of the Company and the report is solely intended to inform the Company as to the results of the assurance engagement and must not be used for purposes other than those intended. The report is not intended to provide third parties with support in making (financial) decisions.

ENGAGEMENT TERMS AND LIABILITY

The "General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms]" dated 1 January 2017 are applicable to this engagement and also govern our relations with third parties in the context of this engagement (www.de.ey.com/general-engagement-terms). In addition, please refer to the liability provisions contained there in no. 9 and to the exclusion of liability towards third parties. We assume no responsibility, liability or other obligations towards third parties unless we have concluded a written agreement to the contrary with the respective third party or liability cannot effectively be precluded.

We make express reference to the fact that we do not update the assurance report to reflect events or circumstances arising after it was issued unless required to do so by law. It is the sole responsibility of anyone taking note of the result of our assurance engagement summarized in this assurance report to decide whether and in what way this result is useful or suitable for their purposes and to supplement, verify or update it by means of their own review procedures.

Munich, Germany, 2 March 2020

Ernst & Young GmbH**WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT****Nicole Richter****WIRTSCHAFTSPRÜFERIN
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