

# SUSTAINABILITY REPORT

Consolidated Non-Financial Report, in accordance with Legislative Decree 254/2016, of **KME Group SpA** Fiscal Year 2023

Consolidated Non-Financial Report, in accordance with Legislative Decree 254/2016, of **KME Group SpA** Fiscal Year 2023

Photo credits KME internal images iStock

"Copper is an extraordinary metal. It is the nervous system of civilisation. This shimmering metal is both a symbol of our ancient history and a key to our future"

Ed Conway, 'The Matter of the World'

### INDEX

Letter to Stakeholders	5
Report - a quick guide	7
Context and reporting framework	8
Stakeholders and Materiality Analysis	11



KME <sup>4</sup>	S COMMITMENT TO SUSTAINABILITY	15
1.1	Copper protagonist	16
	of the ecological transition	
1.2	KME Group sustainability strategies and objectives	19



KME	GROUP	23
2.1	KME Group SpA	24
2.2	Mission, vision and values	24
2.3	Corporate Governance	27
2.4	Organisational, management	31
	and control model	
2.5	Code of Ethics	33
2.6	Supply chain sustainability	37
2.7	EHSQ Management System	39
2.8	Management of extra-financial risks	39
2.9	The copper sector: KME SE	40
2.10	Product responsibility: quality and safety	41



ENV	IRONMENTAL SUSTAINABILITY	43
3.1	Environmental management	44
3.2	Energy	45
3.3	Materials	47
3.4	Waste	49
3.5	Greenhouse gas emissions	52
3.6	Climate change risks and opportunities	56
3.7	Other emissions	60
3.8	Water	60
3.9	Biodiversity	62

CIRC	CULAR ECONOMY	65
4.1	KME's	66
4.2	Circularity indicators	68
5		
PEO	PLE	7
5.1	Labour	72
5.2	Employees	73
5.3	Non employees	76
5.4	Equal opportunities	76
5.5	Health and safety	78
5.6	Training	80
5.7	Corporate Welfare	8
5.8	Suppliers	8

SOC	IAL RESPONSIBILITY	83
AND	D THE THIRD SECTOR	
6.1	Social Responsibility	84
6.2	The Dynamo system	86

#### Social Responsibility 84 The Dynamo system 86

### 7

SUST	AINABLE VALUE CREATION	91
7.1	Strategy	92
7.2	Sales	93
7.3	Economic and financial performance	93
7.4	Economic value generated and distributed	94
7.5	Taxation	94
7.6	Research and development	96
7.7	KPI taxonomy	98



APP	APPENDIX		
8.1	Methodological Notes	102	
8.2	GRI Table of Contents	106	



### **Letter to Stakeholders**

#### Dear Readers,

the year 2023 ended, as known, still in a context of international geopolitical complexity: the instability and fragility we faced in the aftermath of the pandemic, powered by the conflict between Russia and Ukraine that seems still far from a diplomatic solution, found an additional ally in the armed conflict broke out the last October in the Middle East.

In that scenario, the macroeconomic picture is very challenging and volatile, showing trade instability, which also experienced negative trends due to the global supply material volatility observed, in a historical phase in which the most important European economies have had to deal with slowing growth, price pressures and rising interest rates. In this context, climate change must also be taken into account: 2023 was the hottest year on record since 1850, with the average temperature of the oceans at an all-time high and an increase in extreme weather events such as heat waves, droughts and fires, and floods.

Dramatic humanitarian costs are arising from this context, and especially from the two ongoing armed conflicts, confirming how war is undermining the core values of our culture: peace, social stability, a sense of community.

Once again this year, therefore, we want to reiterate how essential and necessary it is to pay special attention to the protection of the Individual, favouring even more an inclusive approach, that through Corporate Responsibility achieves tangible social objectives not only related to 'Our People' but also in improving the 'Common Good'.

KME continued its transformation path in 2023, following a model of innovability, i.e. a process of sustainable innovation, based on the transition to a circular economy and climate neutrality, as well as on maximising Corporate Social Responsibility, i.e. the impact that an organisation like ours can, have to, generate.

The use of recycled and recovered materials increased to 60 % in 2023 and we aim to reach 90 % in 2030, reducing CO<sub>2</sub> emissions per unit of product over the same time horizon.

We are also strongly convinced that a sustainable innovation process cannot be based solely on the environmental dimension, but should also include a significant increase in the impact on People and Communities. An issue to which KME Group has always granted special attention, which finds an additional source of pride in having conceived, promoted and supported the Dynamo project which over a period of 15 years has become a best practice in the third sector and which today we can realy define as 'Dynamo system'.

A circular vision of sustainability, therefore, developed on all dimensions, which considers and increasingly puts in place a virtuous model of doing industry and beyond, taking care either of the needs of all Stakeholders and of the challenges posed by the evolving reality, reaching out People and Common Good.



Vincenzo Manes Executive Chairman KME Group SpA

# AMONG THE WORLD'S LARGEST PRODUCERS OF COPPER AND COPPER ALLOY PRODUCTS

#### TURNOVER

**1.9** billion euro

#### PEOPLE

**3,382** employees

# FOOTPRINT

GLOBAL

major European production sites flanked by **7** service centres and a global sales network

**Targets** 

#### SOCIAL RESPONSIBILITY

Projects of social, environmental and culture value through the Dynamo System

#### ETHICS

respect for human rights, anti-corruption, fair competition, supplies and ecological sustainability, health and safety

#### CIRCULAR ECONOMY

60%

metal circularity

rate through

the use of recycled

materials and waste

recovery

from production

70% of waste sent for recycling

#### 94,130 tonnes of CO<sub>2</sub> emissions avoided thanks to recycling

CLIMATE

ACTION

2030

50% reduction in CO<sub>2</sub> emissions
66% use of recycled metals
90% use of recycled and recovered metals
10% reduction in energy consumption
10% reduction in waste
90% recycled water
90% reduction in work-related injuries

### **Report - a quick guide**

The **Consolidated Declaration of Non-Financial statement** (hereinafter also "DNF" or "Report") covering the financial year 2023 (1 January - 31 December) of KME Group SpA (hereinafter also "KME Group", "KME" or "the Group") is prepared in accordance with Articles 3 and 7 of Legislative Decree 254/2016 (hereinafter also "the Decree") implementing Directive 2014/95/EU. This document contains information on the Group's impacts on the environment, the economy and people, including those on human rights, and also illustrates its sustainability strategy and how, through it, it intends to contribute to the European Union's ecological transition and the United Nations' Sustainable Development Goals.

The Non-Financial Statement has been prepared in accordance with the GRI Sustainability Reporting Standards published by the Global Reporting Initiative (GRI), as indicated in the table "GRI Table of Contents", which shows the association of the GRI Topic Specific Indicators with each material topic reported in this document.

In addition, information required to be disclosed

under the provisions of the Delegated Acts of the EU Taxonomy Regulation (EU Reg. 852/2020). Finally, in view of the particularly relevant role that the activities of the KME Group have for the transition to a circular economy, some circularity performances with reference to the UNI/TS 11820/2022 technical specifications are reported.

The heads of the several functions of the Company were involved in the preparation of the Non-Financial Statement.

The DNF was approved by the Board of Directors of KME Group SpA on April 9 2024 and was subject to a limited assurance engagement in accordance with the criteria of the International Standard on Assurance Engagements 3000 (ISAE 3000 - Revised) of the International Auditing and Assurance Standards Board (IAASB). The Auditor's Report can be found at the end of this document. The limited review did not cover the information contained in the 'KPI taxonomy' section of the DNF, as required by Article 8 of European Regulation 2020/852.

#### **Reporting Perimeter**

The scope of the economic data coincides with that of the 2023 Consolidated Financial Statements of KME Group SpA. The scope of the information on social and environmental aspects includes the companies belonging to the Group as of 31 December 2023, which are consolidated on a line-by-line basis within the Consolidated Financial Statements:

#### FULLY CONSOLIDATED COMPANIES

KME Group SpA (Italy) KMH SpA (Italy) KME SE (Germany) BERTRAM'S GmbH (Germany) KME Germany GmbH (Germany) Natural Capital Italia SpA Società beneft (Italy) KME Special Products GmbH & Co. KG (Germany) KME Real Estate GmbH & Co. KG (Germany) KME Italy SpA (Italy) KME Rolled France S.A.S (France) KME Srl (Italy) KME Grundstücksgesellschaft SE & Co. KG (Germany) KME Spain S.A.U. (Spain) KME Yorkshire Ltd. Valika S.A.S. (France) Kmetal Srl (Italy) KME Mansfeld GmbH (Germany) KME Asset Co GmbH (Germany) Immobiliare Pictea S.r.I. (Italy) Culti Milano Spa (Italy) KME Special Holding GmbH (Germany) KME SC UK (Great Britain) KME SC IT (Italy)) KME SC SL (Slovakia) KME Netherlands B.V. (The Netherlands) KME Copper Bars GmbH (Germany)\* Trefimetaux S.A.S. (France)\* SCT Serravalle Copper Tubes S.r.I.(Italy)\* KME Stolberg GmbH (Germany)\*

\*from 1 January 2023

\*\* winding up process started on 20/11/2023

In particular, information on environmental aspects mainly concerns the Group's production plants and service centres (with annexed offices), as the other locations are negligible in terms of environmental impacts. Of the latter, however, water and energy consumption, as well as the related greenhouse gas emissions, are reported, albeit irrelevant. Except for these data, as far as all other environmental indicators are concerned, the reporting boundary therefore includes the following companies: KME Italy SpA, KME Germany GmbH, KME Mansfeld GmbH, KM Copper Bars GmbH, KME Stolberg GmbH, KME Netherlands B.V., SCT SrI, TREFIME-TAUX, KME Rolled France SAS, KME Spain SA, KME SC IT, KME SC UK, KME SC SL.

The figures for the financial year 2023 are compared, where possible, with those for the financial year 2022, in order to be able to assess the development of the performance of the Group company. Compared to the previous sustainability report (covering the financial year 2022), the reporting scope for

the year 2023 includes four additional companies: Trefimetaux S.A.S, SCT Serravalle Copper Tubes Srl, KME Stolberg GmbH and KME Copper Bars GmbH (whose business was included in previous years in that of KME Mansfeld). Changes in the reporting boundary must therefore be taken into account when comparing the figures for 2023 and 2022. It should also be noted that with regard to the financial year 2022, the data reported for KME Netherlands B.V, KME SC UK, KME SC SL and KME SC IT only referred to the last five months as the acquisition of these companies took place on 1 August 2022.

Considering the focus of the activities of KME Group SpA on the industrial management of KME SE, a holding with strategic value, in the descriptive part of the Group's activities, the Sustainability Report pays prevalent attention to the companies that manage the production and marketing of copper and copper alloy products<sup>\*</sup>.

\* It should also be noted that the reporting perimeter also includes Culti Milano SpA, a company not belonging to the copper sector, which operates in the sector of room diffusers, with a particular focus on the product "wicker diffuser", which allows fragrances to be diffused in indoor, residential and public environments. The company has since developed its business by diversifying its product portfolio, which, in addition to room diffusers, also includes perfumes, cosmetics, car and home accessories. Listed on the EGM segment of the Italian Stock Exchange since 2017, Culti Milano is controlled by KME Group and heads a group that also includes Bakel, a company active in the prestige segment of cosmetics, and Scent Company, a company active in the olfactory branding and sanitisation sector; the Culti group also enjoys a strong international presence, which will be strengthened in 2020 through the establishment of the joint venture Culti Milano Asia (which will control 100% of a Chinese subsidiary based in Shanghai) with the company Vitel international Hong Kong, which has been distributing international perfume and cosmetics brands in China and Hong Kong and Taiwan for more than 20 years. Both Culti Milano and its subsidiaries do not directly produce the products distributed, but use third-party suppliers; therefore, these companies are of little relevance from the point of view of environmental impacts. However, their consumption of energy and water, as well as greenhouse gas emissions, are included in the data reported, however negligible, as are the data on social sustainability reported in the appropriate section.

### **Context and framework of reporting**

#### **Sustainability Report of KME Group Companies**

Even in the absence of legal obligations deriving from Directive 2014/95/EU and national transposition regulations, the main Group companies operating production sites voluntarily present their sustainability reports, to which we refer for specific information and data. Even where it is not a legal obligation, the presentation of the sustainability report is an important act of transparency and social responsibility for KME, as well as a tool for developing appropriate corporate strategies and new business models in the scenario of ecological transition and sustainable development. The reports for the year 2023 concern the following production sites and companies:

- Fornaci di Barga (KME Italy); this report also includes the service centres in Barcelona (KME Spain), Besançon (KME Rolled France), Mortara and Brescia
- Mansfeld (KME Mansfeld GmbH e KM Copper Bars GmbH); this report also includes the
- Dolny Kubin (Slovakia)
- Osnabrück (KME Germany GmbH)
- Givet e Niederbruck (Trefimetaux) and Serravalle (SCT Serravalle Copper Tubes);
- **Stolberg** (KME Stolberg GmbH)
- Zupthen (KME Netherlands B.V.); this report also includes the Birmingham Service Centre (UK)



#### **Circularity indicators and SDGs**

The KME Group report also contains a series of circularity indicators (with reference to the UNI/TS 11820 technical specifications published in Italy in 2022, with a view to the definition of appropriate ISO standards at international level) to assess company performance in the transition to a circular economy. The report also refers to the Sustainable Development Goals (SDGs) of the UN 2030 Agenda.

### United Nations 2030 Agenda

In the Global Agenda for Sustainable Development, the United Nations sets out 17 Sustainable Development Goals (SDGs) to be achieved by 2030. Assessing the current development model as unsustainable, the UN emphasises the need for efforts to steer global development towards sustainability.



KME's sustainability activities and strategies have significant relevance especially with regard to the following goals:



### Green taxonomy

The European Union Taxonomy Regulation, which came into force in 2020, aims to contribute to the achievement of the Green Deal objectives by means of a classification system for economic activities that allows the environmental sustainability of investments to be assessed. According to the regulation, an economic activity can be considered environmentally sustainable if it contributes to at least one of the following objectives:

- mitigation of climate change;
- adaptation to climate change;
- sustainable use and protection of water and marine resources;
- transition to a circular economy, including waste prevention and increased use of secondary raw materials;
- prevention and reduction of pollution; protection and restoration of biodiversity and ecosystems.

To be considered sustainable, economic activities must contribute substantially to the achievement of at least one of these six environmental objectives, not cause significant harm to any of them, and be carried out in compliance with minimum social safeguards. During 2023, some amendments were made to the delegated regulatory acts concerning the first two objectives (climate change mitigation and adaptation). In addition, the remaining delegated acts concerning the circular economy, water and marine resources, pollution



# **New scenarios** for sustainability reporting

#### **CSRD** Directive

The CSRD 2464/2022 (*Corporate Sustainability Reporting Directive*) will open a new phase for corporate sustainability reporting. It replaces the previous directive 95/2014 on 'Non-financial Reporting', expanding the topics to be reported and broadening the mandatory scope.

The CSRD - one of the measures included in the Sustainable Finance Package as part of the European *Green Deal - aims* to increase the uniformity, quantity and quality of information on environmental, social and *governance* factors, providing *stakeholders with* an even more comprehensive picture of sustainability performance than the previous NFRD of 2014 and extending its scope, as mentioned above, to a much broader range of companies, including small and medium-sized enterprises.

In July 2023, a first set of Reporting Principles and Standards (ESRS) developed by a special body (EFRAG) was published. Thanks to these common principles, companies across the EU will publish comparable information and communicate their sustainability performance more efficiently. These principles will be followed by: sectoral principles, principles for SMEs and principles for non-EU companies. To reduce the administrative burden, the Council and Parliament agreed to postpone the adoption of these new principles by two years to 30 June 2026, as proposed by the Commission. This will also allow companies to focus on the implementation of the first set of ESRS. It will be implemented gradually starting with the reporting of the financial year 2024 in four stages:

- in 2025, reporting on the financial year 2024 for companies already subject to the reporting requirements of the 2014 Non-Financial Information Disclosure Directive
- in 2026, reporting on the financial year 2025 for companies (starting with the largest) that are not yet subject to the reporting requirements of the 2014 Non-Financial Reporting Directive
- in 2027, reporting for the financial year 2026 for listed SMEs (except micro-enterprises), small credit institutions and insurance companies.

The EU rules on corporate sustainability reporting came into force on 5 January 2024. As of next year, compliance with ESG factors will therefore start to be disclosed as an obligation in the Management Reports attached to corporate financial statements following the

provisions of the new directive. The information will have to be provided according to the standards (ESRS) defined by EFRAG. The ESRS adopt a 'dual materiality' perspective, i.e. they oblige the company to report on both its environmental and social impact and the risks and opportunities that environmental and social sustainability issues in turn generate for the company. Indeed, the EU Directive 2464/2022 stipulates that organisations must report "both on the impact of the company's activities on people and the environment and on how sustainability issues affect the company"

#### **CSDD** Directive

The EU is defining new rules on corporate sustainability due diligence. In the context of the guidelines published by the UN and the OECD, the proposed directive on *corporate sustainability* due diligence requires large companies to organise their activities - and, in particular, the supply chain - in such a way that environmental protection and the protection of human rights are ensured. The regulations will apply to companies with more than 500 employees and a turnover of more than EUR 150 million, to companies with more than 250 employees and a turnover of more than text EUR 20 million is achieved in 'sensitive' sectors, as well as to companies from other countries that generate a turnover of the same size in the European Union. In particular, the companies concerned will have to adopt:

- appropriate organisational measures to identify, prevent or eliminate negative impacts on the environment and the protection of human rights caused by their activities or those of business partners in their production chain;
- the adoption of a plan to align business and corporate strategy with the containment of global warming and, more generally, the transition to a sustainable economy.

In 2025, reporting on the financial year 2024 for companies already subject to the reporting requirements of the 2014 directive on the disclosure of non-financial information.

### Stakeholder

KME Group considers as priority to develop constant and transparent relations with all its stakeholders, working to create economic value for shareholders within the framework of strategies that aim to ensure social, environmental and economic sustainability. To this end, individual Group companies also develop an ongoing dialogue with their *stakeholders* and *engagement* activities. The publication of the DNF is an important element of transparent reporting of its activities from an environmental, social and *governance* perspective, also in order to strengthen the dialogue with stakeholders. In January 2023 KME Group approved a special policy for managing dialogue with investors (*Stakeholder engagement policy*), published on the website, to which we refer for further information.



### **KME** Stakeholders

In order to manage its activities in compliance with the criteria of corporate social responsibility, KME takes into consideration the impacts of its activities on its stakeholders, understood as the subjects - people, entities or institutions - that influence or are influenced by the Group, or that in some way have an interest in achieving its objectives. Identifying the Group's main stakeholders is an essential prerequisite for implementing a strategy that is concretely oriented towards sustainable development, which creates value and has a positive impact on not only the economic, but also the environmental and social performance of KME.



### Policy for managing the dialog with institutional investors and with the general public of shareholders and bondholders

Its purpose is to define the operating procedures aimed at establishing and maintaining a transparent and continuous dialogue with investors (institutional investors, financial analysts and holders of financial instruments issued by the Company, including proxy holders), characterised by information symmetry in order to allow them to exercise their rights. To provide investors useful information about the activities of the Company and its subsidiaries, as well as on the corporate governance system, KME Group SpA has set up special sections on its website that collect the information and documents deemed of interest to investors. A further opportunity for dialogue and discussion between the Company's directors and shareholders is the Shareholders' Meeting. In order to facilitate dialogue with investors, a special mailbox is active to which requests for information can be sent.

*Stakeholders* also include the following industry and sector associations representing the interests of member companies, as well as the following institutions, internationally and in the countries where Group companies operate:

- Assometalli Confindustria\*
- Copper Association Germany\*
- Economic Association Metals
- Economic Association of Metals, Metals Pro
- Economic Association of Metals, Metal Alliance for Responsible Soucing
- Economic Association of Metals, WVM+ Energy Efficiency
- Economic Association of Metals, Safety and Health Initiative
- Copper Mark\*
- International Wrought Copper Council, IWCC\*.
- European Copper Institute (REACH Consortium)
- German Institute for Standardisation, Berlin
- German Society for Materials Science (DGM)
- · Society for Mining, Metallurgy, Resource and Environmental Technology, GDMB enplify eG
- BUJ Federal Association of Corporate Lawyers
- BPM Federal Association of Personnel Managers
- Association of German Metal Traders (VDM)
- Federal Association of Materials Management (BME)
- GDD (Society for Data Protection and Data Security)
- Saxony-Anhalt Metal and Electrical Industry Association, VME
- · Industrial Employers' Association Osnabrück Emsland Grafschaft Bentheim e. V. (IAV)
- Chamber of Industry and Commerce Halle Dessau
- Osnabrück Chamber of Commerce and Industry\*

\*Associations in which KME participates with a particularly important role.

#### **Materiality analysis**

Materiality analysis is a tool to identify the most relevant sustainability issues (material topics) considering the views of the Group and stakeholders. The issues to be considered as material, and therefore most significant, are identified through the assessment of actual and potential impacts

- both negative and positive - on the economy, the environment and people, including human rights, arising from business activities.

For the Non-Financial Statement, KME Group identified the material issues on which to focus its reporting by carrying out an analysis of the context, sectors and geographical areas in which the KME Group companies operate, also taking into account its main stakeholders and an assessment of the main aspects on which its activities may have an impact. This phase also included the analysis of the results from the Group's companies that have developed different methodologies over the years in order to identify any relevant aspects and impacts in their activities.

KME Group is committed to periodically update the materiality analysis in order to incorporate methodological updates and assess any changes to the list of material topics based on the evolution of the scenario in which it operates, trends and emerging industry issues.

For the 2023 reporting, the impacts and, consequently, the material issues from the materiality analysis conducted in 2022 were confirmed.



### **MATERIAL TOPICS**



ENVIRONMENTALSUSTAINABILITY

- Greenhouse gas emissions and climate action Waste Water

- Air quality Protection of and biodiversity

Efficient energy use and energy transition Product Liability

# 1/KME's commitment to sustainability





### KME's commitment to sustainability

## 1.1 Copper protagonist of the ecological transition

The main subsidiary of KME Group SpA is KME SE, based in Germany. KME SE is the parent company of the copper sector, with production sites in Germany, Italy, the Netherlands, France, Spain, and a worldwide presence through service centres and sales companies to meet the needs of customers in the main industrial sectors.

Thanks to its features, copper plays a central role in the transition to an ecologically sustainable economy. It is indeed an essential material for the energy transition: its extraordinary electrical conductivity, together with its mechanical specifications, makes copper an indispensable material for renewable energies, energy efficiency, and sustainable mobility. Moreover, due to its potentially infinite recyclability and product durability, it is a key player in the transition to a circular economy. 'Red gold' - as copper is called - is therefore a material of great importance in the transition to a green economy.

#### An essential material for the energy transition

Copper is the best conductor of heat and electricity. Only silver is a better conductor, but as a precious metal it cannot be used on a large scale. Thanks to its characteristics, it is the most widely used metal in the key sectors of the green economy: from renewable energy to high-efficiency plants, from smart building to sustainable mobility. Copper is therefore a key material for the success of the energy transition. It is needed both for renewable energy production plants - from photovoltaic to wind power, from hydroelectric to geothermal - and for electricity transmission and distribution networks. Just as it is necessary for e-mobility: cars, charging stations, batteries. As if that were not enough, it also plays an important role in the energy efficiency of buildings and in information systems - smart networks, fibre optics, home automation - that are transforming our cities and our lives. Copper is also one of the leading materials in the new aerospace industry, with KME supplying plates and other semi-finished products made of special copper alloys for use in spacecraft engines.

#### A virtuous material for the circular economy

Copper plays a key role in a circular economy. Firstly, because it can be recycled without losing its features. Recycled copper is no different from mine-produced copper; once the useful life of a product is over, it can be recycled and reused to make new products. The high recyclability of scrap, at the same time, minimises the contribution of copper to waste production.

Another important quality of copper is its durability. The life cycle of a copper product is very long. And durability is another strong point with respect to the principles of the circular economy. Circular value chains reduce environmental impacts in both pre-consumer operations and in the post-consumer sector. That is why copper, a real 'permanent resource', is an essential player in the transition to the circular economy.

#### The benefits of recycling

It is mainly the technologically more advanced countries that recover and recycle copper, thereby reducing consumption of virgin raw materials and dependence on exporting countries. About one third of the global demand for copper is met through recycling. In Europe, the percentage is even higher: according to the International Copper Study Group, on our continent about 50% of the copper used comes from recycling. This helps to meet the growing demand and at the same time reduces the environmental impact of production. At the same time, it reduces dependence on raw material-producing countries, with positive effects both economically and geo-politically, all the more so at a time of conflicts and tensions in international relations.

But it is above all the environmental benefits that leapto the eyes. On the one hand, less consumption of natural resources: a key issue in a planet with limited resources and where global consumption of raw materials could double in the next 30 years if no corrective action is taken. On the other hand, less energy consumption: recycling requires up to 85% less energy than primary production. And among the environmental benefits is also the reduction of CO2 emissions: thanks to copper recycling, it is estimated that in Europe, emissions are reduced by around 30 million tonnes in one year. On our continent, more than 2 million tonnes of copper from end-of-life products and production waste recovered directly within production cycles are reused annually. The increase in recycling is also due to innovative technological solutions that enable greater efficiency in the refining of secondary scrap and in the processing for melting high-purity copper scrap.

#### Meeting the growing demand for copper

Approximately 28 million tonnes of copper are used each year, and demand is set to grow dramatically. The energy transition requires the use of a large quantity of materials: copper, first of all, and then cobalt, nickel, graphite, manganese, lithium, palladium, zirconium, platinum, rare earths. These are the so-called 'critical raw materials'. Renewable energy systems, for example, require 4 to 12 times more copper than power generation from fossil fuels. While electric vehicles use up to four times more copper than conventionally powered vehicles.

The International Energy Agency (IEA) provides, in connection with the shift away from fossil fuels and the implementation of climate agreements, a sharp increase in the consumption of copper and other 'critical materials' over the next twenty years. The dimensions are impressive: overall, their consumption could increase sixfold by 2040, com-

pared to current values. The International Copper Alliance (ICA) estimates that the demand for copper could double by 2050 to meet the growing global ambitions for sustainability. Even allowing for margins of forecasting uncertainty, what is certain is that in each of these scenarios, the demand for copper is bound to grow. And it is clear that without an adequate supply of copper, it will not be possible to achieve the goals of reducing global CO<sub>2</sub> emissions and fully realise the energy transition. We are therefore faced with a problem with strong environmental and economic implications, as well as geopolitical ones, since the approval of a new coppersion depends on a limited number of countries. How can this growing demand for copper be met? An important contribution - although

not decisive if not accompanied by other actions, such as the 'Critical Raw Materials Act' approved in 2023 by the European Union - can come from the development of the circular economy. This means using resources even more efficiently, designing products to be more durable, reducing production waste as much as possible, increasing the recycling of scrap and the recovery of production waste, developing industrial symbiosis, and responding to the growing demand for copper through more efficient use of resources. The success of the energy transition and climate strategy will depend heavily on the ability to develop circular economy models in parallel with decarbonisation.

### A strategic raw material for Europe

In 2023, the European Commission identified 34'critical raw materials' that have a particularly important function for European industry. They are materials of strategic economic importance, in terms of technologies and industrial applications, at the same time characterised by a high risk from the supply point of view and great importance from a geopolitical point of view to ensure the autonomy of the European Union. These materials are of extreme relevance for many industrial sectors, as they are crucial for both the energy transition and digital technologies.

In this context, the European Commission has identified a number of strategic raw materials on which Europe focuses its efforts as a priority. These are raw materials that are crucial for industrial production related to the double ecological and digital transition and that fall within strategic use sectors: renewable energy, electric-powered mobility, digital, aerospace and defence. There are 17 critical raw materials classified as strategic, of which copper plays a particularly important role.

#### **Critical Raw Materials Act**

The Critical Raw Materials Act is a package of measures with the main objective of ensuring a secure, diversified and sustainable supply of critical raw materials. There are four main objectives set out in the Critical Raw Materials Act to be achieved by 2030:

- 10% of the annual consumption of each critical raw material must be extracted in Europe
- 40% of the annual consumption of each raw material must come from refining in Europe
- 15% of the annual consumption of each raw material must be met by recycling
- No more than 65% of the annual consumption for each raw material must come from a single country

The Critical Raw Materials Act emphasises the need to increase recycling and utilisation rates of secondary raw materials. To this end, Member States will have to adopt and implement national measures to improve the collection of waste rich in critical raw materials.



#### Strategic sectors

According to the European Union, there are four strategic sectors: renewable energy, electric-powered mobility, digital, defence and aerospace. Significant growth is expected in the coming years for these sectors, which are key to the continent's development goals.

In both Europe and Italy, photovoltaics and wind power are the sources of energy production for which the highest growth is expected by 2030. Also by 2030, 51 million electric vehicles are expected in Europe, an increase of at least 8 times compared to today. Data storage, servers and electronics products account for 90% of the demand for chips, which are already widely used today and whose demand could double in 2030. Finally, the space economy is an enabler for the EU's Strategic Compass, which has set new goals for defence and security.

Particularly relevant in all these strategic sectors is the role of copper, which is essential for the technologies needed - it is estimated that copper is needed for 78% of the key technologies defined by the European Union - and with a growth factor above the average for other materials.

### **Copper** constitutes the



of strategic raw materials in WIND TECHNOLOGY



of strategic raw materials needed for the construction of **PHOTOVOLTAIC MODULES** 



of strategic raw materials for BATTERIES



of the strategic raw materials contained in the DATA STORAGE AND SERVERS



of the strategic raw materials contained in **ELECTRONICS** 

### An **industrial strategy** for the **ecological transition**

To become the first carbon-neutral continent by 2050, with zero net greenhouse gas emissions, through an ecological and socially fair transition and an industrial revolution capable of guaranteeing sustainable production and consumption: this is the challenge that the European Union has set itself with the Green Deal, with the aim of making the climate challenge the opportunity for a new development model.

The strategy adopted by the European Commission aims to support and strengthen the European economy by directing industrial policy towards three priorities: maintaining and strengthening the competitiveness of European industry globally, making Europe a



carbon-neutral continent, and developing digital infrastructure. In order to accelerate the ecological transition, while strengthening European supply independence and the competitiveness of European industry, the European Commission presented the Industrial Plan for the Green Deal on 31 January 2023. The plan, which aims to provide a more favourable environment for increasing the EU's production capacity for zero-emission technologies and products in order to achieve climate targets, is based on four pillars: a simplified regulatory environment, accelerated access to finance, improved skills, and resilient supply chains. In this context, the Commission adopted a measure (Net zero industry act) on 16 March 2023, which sets out the objectives of industrial innovation towards climate neutrality and the planned actions, promoting European strategic projects and the dissemination of innovative technologies.

# 1.2 KME Group sustainability strategies and targets

Facing the challenges of our time requires sustainable development within a framework of international cooperation, as set out in the UN Agenda 2030. Environmentally sustainable to preserve ecological balances and combat climate change. Socially sustainable to guarantee human rights and strengthen solidarity. Economically sustainable through businesses that create value for stakeholders and the community. KME, for its part, works in this direction, aware that this represents a challenge to continuous innovation and, at the same time, a responsibility towards future generations.

### **KME is** committed to pursuing a **sustainable** strategy in the organisation of its **production and commercial** processes

- 1. Transparent customer orientation during product and process design
- 2. Strict adherence to a Code of Conduct
- 3. 'Zero-accident' goal of providing a safe and healthy working environment for employees, co-workers and visitors
- 4. Ongoing risk assessment in relation to operational procedures and future activities
- 5. Proactive adherence to legal specifications, customer requirements and other requests
- 6. Implementation and support of best available techniques and procedures for continuous process improvement
- 7. Development of preventive strategies to avoid environmental pollution and accidents
- 8. Ensuring the long-term viability of KME
- 9. Efficient use of materials and energy in the production and delivery of products and services
- 10. Manufacture of products that provide safety, energy efficiency and recyclability requirements
- 11. Open communication with stakeholders
- 12. Promoting a culture in which all employees share these commitments

The corporate guidelines define the binding standards for all companies operating within the KME Group.

## **Sustainability Strategy**

KME has updated and set the strategy for the sustainability of its production processes and products, setting a series of targets (taking into account the starting conditions) to be achieved by 2030, with an intermediate target of 2025.

The KME strategy is based on four main pillars and is developed through a series of actions that, although they may differ between different production and geographical contexts, aim at the set objectives.

#### **Guidelines and Actions**

#### 1. Maximum use of raw materials from recycling and circular economy development

KME has always aimed to maximise the use of recycled metals, also for obvious economic as well as environmental benefits. A choice that has had to face obstacles such as the availability of scrap on the market and technological difficulties linked to its use in the production process. In recent years, the market difficulty has been significantly reduced thanks to a series of positive factors such as easier transport of goods (more organised logistics), growing awareness and attention to the recovery of raw materials, industrial development in some parts of the world and the consequent greater availability of secondary raw materials. KME, with regard to scrap refining and recovery technologies, has made further decisive steps in this direction since the 2000s. Using scrap to obtain raw materials with the same characteristics as those obtained by using virgin raw materials requires a strong commitment in terms of investment and, above all, specific know-how. All this translates for KME into:

- investments made and to be made amounting to approximately EUR 60 million;
- development of two Research Centres (in Germany and Italy);
- over 100,000 hours of specific training (over the period covered by the strategy).

Thanks to this, KME is able to operate using high percentages of recycled material. Advanced know-how and technology are the basis of this competitive advantage, which will be further increased over the next decade. Investments are being made to build new foundries capable of operating with recycled material, expanding the range of usable scrap. However, it should be noted that it is not possible to reach the 100% quota of recycled material, given the presence of both technical limits in the production process and administrative limits dictated by the various bodies that regulate the specifications of the products sold in the reference markets.

With the development of circular business models and the further increase in the use of raw materials from recycling - aiming to reach 66% by 2030, net of further internal recovery and recycling processes, and 90% when also considering materials recycled through internal recovery processes - not only does this contribute to the development of the circular economy but also, to a significant extent, to the reduction of greenhouse gas emissions.

KME - in line with the European Commission's recent proposals to make products on the EU market increasingly sustainable and circular throughout their entire life cycle - is constantly pursuing actions to reduce the CO<sub>2</sub> emissions of its product portfolio, which already includes a number of products, e.g. in the automotive and telecommunications sectors, made almost entirely from recycled metals.

#### 2. Optimisation of production processes and resource use

It is a series of complex and innovative activities that go through the digitisation of the company. Through a cloud platform, all data - process data, but also all data previously disregarded for lack of adequate and suitable tools - are stored and managed through specific algorithms. The data management system allows - on a constant basis - the optimisation of all resources and the possibility of unifying processes at group level, with the obvious advantage of being able to quickly and generally utilise any improvements achieved in one or more plants of the group.

The results of these activities are full control and reduction of:

- · consumption of raw materials, process materials and packaging;
- energy consumption;
- water consumption;
- waste production;
- greenhouse gas emissions;
- pollutants.

These activities also lead to significant improvements in occupational safety and thus to a further improvement of the accident frequency (Frequency Rate) and accident severity (Gravity index) indicators, with the goal of 'zero accidents'.

#### 3. Decarbonising processes and reducing greenhouse gas emissions

In addition to the actions already described (circularity and digitisation development), the achievement of this objective is notably achieved through three main actions:

- conversion of part of the natural gas-fuelled melting furnaces to electric furnaces, while aiming to increase the use of renewable energy;
- construction of energy platforms for self-consumption powered by renewable energy;
- certification projects for electricity purchased from third-party suppliers.

Already today, specific greenhouse gas emissions in relation to production at KME are lower than the industry average. The goal is to reduce them further by 50% by 2030.

The KME Group is committed, where possible, to the conversion from gas to electricity of the melting plants (in Italy the activity is mostly completed, in Germany it is currently umder evaluation), while it is evaluating the feasibility of interventions for the construction of renewable energy plants for the self-production of a portion of the electricity required for the production process. Some voluntary emission compensation activities are already in place through the Oasy Dinamo an intercompany project, and the opportunities available on the market for certifying renewable energy purchased from third-party suppliers are being evaluated.

#### 4. Continuous growing and evolution of social impact

KME has always been committed to solidarity projects and initiatives of tangible social impact through a series of activities that extend beyond the company's borders. From the outset, it has cared for the families of its employees, and therefore for the communities that host its production sites.

The most important step, a true pillar, was the launch in 2007 of the Dynamo Camp project, the first recreational therapy camp in Italy, which hosts free of charge children and young people suffering from serious or chronic diseases, neurodevelopmental disorders or disability conditions, and their families, for periods of holiday and fun with qualified assistance. The Camp is located in a vast area of more than 1,000 hectares, in the middle of the Tuscan Apennines, which was once a hunting reserve and is now a virtuous example of the redevelopment of real estate and greenery. Dynamo Camp is at the heart of a 'new system of social enterprises', which has a significant employment and economic impact in the Group, which KME has promoted and supported in its 17 years of activity in a variety of forms: investments, donations of resources and assets, support for current expenses, and donations of skills. Through and thanks to Dynamo, which today is a solid and independent organization, KME has extended its commitment to sustainability to new social businesses that have involved thousands of people: in addition to the beneficiaries, training activities on the themes of the common good and inclusion aimed at students, individuals, managers and professionals have flourished; consultancy projects in favour of companies and other Third Sector entities; companies aimed at the consumer market in the clothing, food and hospitality sectors; a Foundation that starting with works created by important contemporary artists, with children and young people as guests of the sessions, has an important and unique heritage; as well as a structured conservation initiative of what is now a WWF-affiliated Oasis.

KME will ensure the continuous development of these initiatives, with a constant focus on innovation and creation of new models that maximise social and environmental impact.

#### **Targets and KPIs**

The following table shows the main industrial targets to be achieved by 2030, with an intermediate target in 2025, as well as the results achieved in the last two years. The figures and targets indicated refer mainly to the copper sector (production plants and service centres).

KPI	2022	2023 <sup>6</sup>	2025	2030
USE OF RECYCLED METALS <sup>1</sup> (%)	38.7%	42.9%	51%	66%
USE OF RECYCLED AND RECOVERED METALS <sup>2</sup> (%)	55.7%	60%	70%	90%
CO <sub>2</sub> EMISSIONS per unit of product <sup>3</sup> (t CO <sub>2</sub> /tprod.)	0.5	0.5	20% reduction	50% reduction
ENERGY CONSUMPTION per unit of product (GJ /tprod.)	6.43	6.86	5% reduction	10% reduction
WASTE per unit of product (t waste/t prod.)	0.039	0.055	5% reduction	10% reduction
WATER recycled and reused <sup>4</sup> (%)	84.3%	79%	87%	90%
SAFETY (rate of accidents at work)⁵	10.9	5.8	40% reduction	90% reduction

1. Percentage of recycled metals (scrap) in relation to total metals used

- Percentage of metals from external recycling (scrap) and internal recovery in relation to total metals processed
- Direct emissions (from in-plant production processes and service centres scope 1) and indirect emissions (related to electricity purchased and consumed - scope 2 "location based") per unit of product (tonne)
- 4. Percentage of recycled and reused water in relation to the total amount of water used
- 5. Number of accidents with absence >1 day / total hours worked x 1,000.00 the performance of some unit indicators is affected by the reduction in production volumes in 2023.
- 6. The performance of some unit indicators is affected by the reduction in production volumes recorded in 2023.

### 2030 Targets









### **KME** Group

# 2.1 KME Group SpA

KME Group SpA is a holding company that holds and manages industrial participations, based in Milan and listed on the MTA segment of the Milan stock exchange. KME Group occupies a leading position in the world market for the production of semi-finished products made of copper and copper alloys (excluding conductors and wires), and is today focused on the production of rolled products, with production sites and a capillary network of trading companies located in Europe and in the main industrialised areas of the planet. the Company's activities on the industrial management of KME SE (the main subsidiary), certain business acquisitions and divestments were carried out, which allowed for a new strategic configuration of the subsidiary. In this context, important transactions were carried out to implement the KME SE group's strategy to focus on rolled products in copper and its alloys, in which the group is the European leader and intends to further grow in the future, given the interesting growth rates expected for the main reference markets.

Following the decision to proceed with a focus of



# 2.2 Mission, vision and values

#### Mission

KME Group SpA, a listed holding company, operates in various sectors and in particular, through its subsidiary KME SE, mainly in copper and copper alloy products. In this field it offers its customers products characterised by high quality, safety and durability. The Group operates with a focus on customer needs and responsibility towards the environment and people, with the aim of consolidating its growth by focusing on innovation, competitiveness and sustainable development.

#### Vision

KME intends to focus on the rolled copper business, positioning itself as the European leader in this sector, known for the quality of its products, the excellence of its customer service and the sustainability of its business model.

#### Values

KME's activities are inspired by the following values, which are set out in more detail in the Group's Code of Ethics.

- SUSTAINABLE INNOVATION
- PEOPLE PROTECTION AND RESPECT
- SOCIAL RESPONSIBILITY
- INTEGRITY, HONESTY AND TRANSPARENCY



## **Corporate Values**

Below are KME's '*Corporate Values*', which inspire and guide the Group both in setting long-term goals and plans and in its daily actions.

#### **Sustainable innovation**

At KME, we believe in sustainable innovation, based on a revised concept of economic development: for a long time, sustainability and innovation were essentially opposing concepts, partly because most technological innovations had a negative impact on the natural environment and the well-being of society. Today, on the other hand, innovation can and must play a decisive role in improving the environment in which we live, and is at the service of sustainability requirements. Innovation and sustainability together become the key elements on which the competitiveness of companies is played out.

Sustainable innovation combines protection of the environment and natural ecosystems with the business innovation paradigm, aiming to provide essential goods and services that guarantee the achievement of value objectives. Sustainable innovation is based on environmental performance measurement criteria, more transparent communication and enhanced consumer demand. In light of the need to reduce the use and waste of natural resources, for reasons that are now linked to both environmental and economic sustainability, there is a growing need to develop business models that are not only innovative, but also sustainable.

Sustainable innovation revolutionises the concept of economic development, which must be aimed at the creation of profit, but must necessarily include the virtuous intention of eliminating the negative impact of production processes on ecological systems, human health and thus the well-being of the community. This concept is often communicated with the term innovability, as a merger of the terms innovation and sustainability.

#### **Circular economy**

The circular economy is a model to be adopted to pursue and implement development models based on sustainable innovation. The abandonment of a linear growth model in favour of circular economy models, in which products are designed to meet the standards of sustainability and account is taken not only of cost in the purely economic sense, but also of environmental and social cost, is the prerequisite for contributing to the transition to a circular economy. The circular economy is a production and consumption model that involves sharing, lending, reusing, repairing, reconditioning and recycling existing materials and products for as long as possible. This is the only way to extend the life cycle of products, contributing to a massive reduction of waste. The principles of the circular economy contrast with the traditional linear economic model, which is based on the typical 'extract, produce, use and throw away' scheme. The traditional economic model depends on the availability of large quantities of readily available and cheap materials and energy. The circular economy is a production and consumption model that involves sharing, lending, reusing, repairing, reconditioning and recycling existing materials and products for as long as possible. This extends the life cycle of products, helping to minimise waste. Once the product has completed its function, the materials from which it is made are in fact reintroduced, where possible by recycling. Thus they can be continuously reused within the production cycle, generating further value. Reuse and recycling slow down the use of natural resources, reduce environmental impacts and help limit the loss of biodiversity. The circular economy contributes to the reduction of total annual greenhouse gas emissions. According to the European Environment Agency, industrial processes and product use are responsible for 9.1% of greenhouse gas emissions in the EU, while waste management accounts for 3.32%.

KME fully shares this virtuous business model and intends to contribute to accelerating the transition towards the '3 Rs' (Reuse, Repair, Recycle) economy. Already today, its productions are significantly geared towards maximising the use of materials from recycling and recovery processes (see the chapter on circularity for more details).

#### Protection of people and social responsibility

People, his or her needs and the community in which we operate have always been at the centre of our approach. Valuing people at all stages of their working life is part of the sensitivity and experience of the Group, which has always been committed to creating shared value in the communities in which it operates. Every person plays an essential role in the success of our business, and creating a safe, inclusive working environment, where diversity - in all its forms - is recognised as a value, represents the challenge of daily improvement in every KME Group company.

Moreover, KME has always been committed to the development of concrete Social Responsibility initiatives. In addition to the above, for KME the protection of the individual also means pursuing social projects that support employees, employees' families, the community that hosts the production sites and stakeholders outside the KME context, achieved by the Dynamo System, a successful third sector case, founded and promoted by the KME Group over 15 years ago.

#### Integrity, honesty and transparency

KME is committed to honesty, basing its activities on respect for the values of integrity and transparency. It takes compliance with the law and with the regulations of the countries in which it operates, as well as with its own organisational and governance system, as fundamental principles in the conduct of its activities and business.





#### **Governance Structure**

The governance structure adopted by KME Group S.p.A. is in line with the principles of the Code of Conduct of Borsa Italiana S.p.A. The Company, on an annual basis, provides a special report, drawn up in accordance with Article 123-bis of the Consolidated Law on Financial Intermediation (TUF) and published on its website, which highlights the degree of compliance with the principles and application criteria set out in the Code and international best practice.

Over time, the Company has maintained its corporate governance structure according to the traditional model pursuant to Articles 2380-bis et seq. of the Italian Civil Code, characterised by the presence of the **Shareholders' Meeting, the Board of Directors** and the **Board of Statutory Auditors.** The statutory auditing of the accounts is performed by the auditing company. The powers and operating rules of the corporate bodies are governed not only by the laws and regulations in force at the time, but also by the Articles of Association and by a series of principles and procedures, which are periodically updated in light of regulatory, doctrinal and legal developments and the Board's guidelines and policies.

Following the Shareholders' Meeting of 8 June 2021, which appointed the Board of Directors of the KME Group currently in office and determined its term of office for the financial years 2021 - 2023, the same Board of Directors resolved to establish only the Control and Risk Committee, consisting of three directors, two of whom are independent. In fact, as in previous years, the Company decided not to set up the Appointments Committee and the Remuneration Committee. With regard to the Appointments Committee, the Board of Directors considered that the independent directors, numerically equal to one-fifth of the members of the Board of Directors, are characterised by a significant level of authority and decision-making autonomy and have adequate knowledge of the Company and Group structures. Therefore, they can be discussed and decided within the competences and meetings of the Board of Directors:

- opinions on the size and composition of the of the Board of Directors;
- proposals for the appointment of candidates for the office of director in the event of co-optation where independent directors are to be replaced;
- the preparation of a possible succession plan for executive directors.

As far as the Remuneration Committee is concerned, in line with what has already been illustrated for the Nominations Committee, the Board of Directors, in its entirety, is deemed to be the body that can adequately and effectively perform the tasks established by the Code with regard to the Remuneration Committee. In order to enable the Board of Directors to make the most informed and judicious assessment possible, the Board of Directors may be supported, if necessary, by the expertise of at least two independent directors, whom it may turn to from time to time for advice on remuneration. The expertise and independence of these directors are able to provide the Board of Directors with valuable support.

The appointment of the Remuneration Committee. It should also be noted that the governance of KME SE, the sub-holding company under German law to which all the operating companies of the copper sector belong, until 15 September 2021 was organised according to the Rhine model, in line with the normal operations of German companies, i.e. through a Supervisory Board (Aufsichtsrat) and a Management Committee (Vorstand). On that date, the shareholders' meeting of KME SE resolved to switch from the two-tier system to the one-tier system and therefore the company is now governed by a Board of Directors (Board of Directors), in order to ensure effective and transparent allocation of roles and responsibilities of its corporate bodies and, in particular, a correct balance between management and control functions.

The current governing body, thanks to the skil-Is and experience of its directors (executive and non-executive) can boast in-depth knowledge in all three dimensions of sustainable development: environmental, social, and governance. These elements, together with the vision of the executive directors, have enabled the achievement of important goals in the ESG sphere, such as the affirmation of the 'Dynamo System' as an international best practice in the third sector. In addition, all executive directors, as well as some non-executive directors, have gained significant experience in the most important industrial-financial contexts of some of the major Italian companies (listed and unlisted) and third-sector entities, as members of the Board of Directors and of the relevant endoconsiliar committees. This has further strengthened the wealth of knowledge, experience and networking, which constitutes a distinctive element as a value matrix for accelerating the Group's sustainable development.

In order to guarantee an effective management of the sustainability strategy, KME Group adopts a governance system that provides for responsibilities both at the level of the governing bodies and in the organisational structure. In particular, the Board of Directors has the task of pursuing sustainability objectives understood as the ability to create value for shareholders in the long term, taking into account environmental and social impacts and benefits for stakeholders, At an organisational level, the ESG Group Manager is responsible for coordinating and managing the sustainability aspects of the Group, based on an assessment of the risks and opportunities related to environmental and social sustainability, as well as for drafting the non-financial Consolidated Declaration, which must be approved by the Board of Directors. Any critical issues are reported to the highest governing body according to the established procedures. The Board of Directors is responsible for approving the information reported in the DNF, including its material issues.



The current Board of Directors was appointed by the Shareholders' Meeting of 8 June 2021, which set the number of members of the Board of Directors at ten (10) (as mentioned above, the Articles of Association provide for a variable number of directors between a minimum of seven and a maximum of eleven). The term of office is for three financial years, i.e. until the date of the shareholders' meeting convened to approve the financial statements as at 31 December 2023.

Pursuant to Article 20 of the Articles of Association, to which reference should be made for further details, the Chairman of the Board of Directors is the legal representative of the Company and has the power to represent it vis-à-vis third parties and in court. Vincenzo Manes was appointed Chairman of the Board of Directors by the Shareholders' Meeting of 8 June 2021 and the subsequent Board of Directors confirmed to him the following main powers and authorities:

- the power of coordination and direction within the scope of the powers delegated to the other executive directors;
- the power to direct, coordinate and control external communication, including communication to shareholders;
- In particular, and by way of example, in accordance with the directives and strategies decided by the Board of Directors, the Chairman has the power to manage the Company's activities in the areas of administration, finance, control, legal, tax, insurance, human resources and information technology, as well as industrial, commercial and service activities. For these activities, it has the power to direct and coordinate all Group companies through their respective operating entities and always within the limits of the strategic guidelines decided by the Board of Directors.

In the exercise of these powers, the President may draw up regulations for the various internal services,

allocate responsibilities and appoint attorneys giving them the relevant powers with single signature or with joint signature with another attorney, as well as giving orders and provisions for the organisation of the Company and its operation. Vincenzo Manes is also Executive Chairman of KME SE, the sub-holding to which all of KME's industrial activities are headed. Even in this case, the Chairman has been assigned:

- the power of coordination and direction within the scope of the powers delegated to the other executive directors;
- the power to direct, coordinate and control external communication, including communication to shareholders;
- in accordance with the directives and strategies decided by the Board of Directors, the powers to manage the company's business.



In relation to the management of conflicts of interest and transactions with related parties of the Company, the Directors with delegated powers report to the Board of Directors and the Board of Statutory Auditors on transactions in which they have a personal interest, even if not necessarily in conflict with the interests of the Company. The Procedure for Transactions with Related Parties adopted in principle in the 2003 financial year has been updated several times over the years, most recently on 30 June 2021 to adapt to the regulatory changes that have taken place. This Procedure takes into account the recommendations of CONSOB, gives substance to the Bylaws and complies with the provisions of the Regulation on the subject; in particular, it requires that transactions with related parties, whether carried out directly or through subsidiaries, must be carried out in compliance with the principles of:

- transparency;
- substantive fairness;
- · correctness of the procedure.

Below are the most significant provisions of the **Procedure**, the full text of which is available in the 'Governance/Related Parties' section of the Company's website.

Related parties are those as defined and indicated by CONSOB.

The Directors and Statutory Auditors of the Company and its subsidiaries, as identified above, shall inform the Board of Directors, in the person of its Chairman, if they have an interest, on their own behalf or on behalf of third parties, in a transaction, specifying its nature, terms, origin and scope.

Directors for whom such an interest exists are also obliged to abstain from voting and to absent themselves during the relevant discussion, unless the Board unanimously decides otherwise. In addition, an inter- national procedure is in place for the preparation, management and maintenance of the list of related parties, which is updated on a half-yearly basis, taking into account the information received from the Directors and Statutory Auditors as well as from other executives with strategic responsibilities. The Group's subsidiaries are required to comply with the Procedure, insofar as applicable, and ensure the flow of information to the Company.

Transactions with related parties' means any transfer of resources, services or obligations between related parties, regardless of whether a consideration has been agreed upon.

They are still considered to be included:

- merger, demerger by incorporation or demerger in the strict non-proprietary sense, if carried out with related parties;
- any decision on the allocation of remuneration or economic benefits, in any form whatsoever, to members of the management and control bodies and to managers with strategic responsibilities.
- In compliance with the CONSOB Regulation and its annexes, the transactions are south divided into:
- transactions of major significance;
- transactions of minor importance;
- exempt transactions.

#### Audit and Risk Committee

In accordance with Article 4 of the Self-Regulatory Code of Borsa Italiana S.p.A., the Board of Directors has set up an internal Control and Risk Committee, which also assumes the tasks of the Committee of Independent Directors pursuant to the procedure on transactions with related parties. The Control and Risk Committee has the task of supporting, with an adequate preliminary activity, the assessments and decisions of the Board of Directors with reference to the internal control and risk management system, as well as those on the approval of periodic financial reports. It also carries out support activities concerning the compliance of the procedures on related party transactions with the applicable legal and regulatory provisions, as well as their compliance. As of 28 March 2023, following a resolution of the Board of Directors, the Control and Risk Committee will also deal with sustainability issues, thus taking on the name of Control, Risk and Sustainability Committee.

#### In summary, the Audit and Risk Committee:

- supervises the compliance of related party transaction procedures with the applicable laws and regulations, as well as their observance;
- expresses its opinion to the Board of Directors on the Company's interest in carrying out transactions with related parties as well as on the appropriateness and substantive fairness of the related conditions.

In the case of transactions of greater significance, the Committee must already be involved in the negotiation phase as well as in the preparatory phase by receiving a complete and timely flow of information.

For further details, please refer to the ad hoc section of the Report on Corporate Governance and Ownership.

#### Board nomination process and criteria

The procedures relating to the appointment of the members of the Board of Directors by the Shareholders' Meeting comply with the legal provisions, supplemented by those contained in the Articles of Association. It should be noted that the Articles of Association incorporate the regulatory provisions on gender balance in the composition of the administration and control bodies. The Company's Board of Directors includes 4 out of 10 female directors, in line with the provisions of the law in force. Two independent directors are members of the Board of Directors.

With reference to the requirements of competence and professionalism of the members of the Board of Directors, each of the directors declared that he or she meets the requirements of honour and professionalism laid down in the applicable regulations.

#### Performance evaluation of the highest governance body

With regard to the procedures for evaluating the Board of Directors' performance in controlling the management's impact on the economy, the environment and people, the Company has not yet initiated a formal procedure for evaluating them. However, also with the support of the Control, Risk and Sustainability Committee (renamed the Control and Risk Committee as of 28 March 2023), the main KPIs concerning the copper sector, which express the state of the art of the Group with respect to the targets to be achieved by 2030, are monitored annually as performance indicators of the governing body.

In addition, the Group has initiated further evaluations, aimed at knowing in detail, analysing and adopting in the short term one or more group ESG performance metrics/assessment tools.

Examples include the BIA- B *impact assessment* procedure developed by B lab, the MCSI ratings, Sustanalitics, S&P Global ESG Scores.

It is worth mentioning that we are proceeding with the aforementioned analysis in order to understand which tool offers the best coverage and valorisation of the 'S' dimension of the ESG acronym, an area in which the KME Group expresses a high-value performance, also thanks to the Dynamo system. The selection of an assessment tool will allow, among other actions, to activate a monitoring process that can also support the assessment of the highest governing body.

#### **Further information**



Auditing company: Deloitte & Touche SpA

Common representative of savings shareholders: Andrea Santarelli

Common representative of the bondholders: Rossano Bortolotti

## 2.4 Organisation, management and control model

KME Group SpA adopts an Organisation, Management and Control Model pursuant to Legislative Decree 231 of 2001, consisting of a General Section and a Special Section. The General Section regulates the function, scope of operations, recipients, sanctions system, powers and functions of the Supervisory Body. The Special Section contains the principles and internal rules of organisation, management and control aimed at preventing the risks of commission of the crimes indicated by the Decree that may be committed in the course of the Company's relevant activities.

The current Model was adopted by the Board of Directors on 16 March 2021, updating the previous one. In particular, it is the result of an update of the Self Risk Asses- ment, aimed at making it compliant and aligned with the company's organisational reality. In this way, the Company intends to fully comply with the provisions of the law, as well as to make the system of internal controls and corporate governance as effective as possible.

The Model also has the following aims:

- provide adequate information to employees and those who act on behalf of the Company, or are linked to the Company by relationships relevant for the purposes of the Decree, on the activities that entail the risk of offences being committed;
- disseminate a corporate culture based on legality. The Company condemns any conduct contrary to the law or internal provisions and, in particular, the provisions contained in the Organisation, Management and Control Model;
- spread a culture of control;
- implement an efficient and balanced organisation of the enterprise, with particular regard to the formation of decisions and their

transparency, the provision of preventive and subsequent controls, and the management of internal and external information;

apply appropriate measures to promptly eliminate, as far as possible, any situations where there is a risk
of offences being committed.

The Company has set up an autonomous and independent Supervisory Board, as required by Legislative Decree 231/2001, with the relevant powers and responsibilities.

#### Processes to remedy negative impacts

The KME Group pays constant and increasing attention to the possible impacts that business activity generates on stakeholders, through monitoring that allows for the activation of appropriate remedy. The activation of the remedy is ensured through specific processes, which allow everyone (employees and third parties such as customers, suppliers or other stakeholders) to report doubts and issues in a secure and confidential manner, and receive a response. The main reporting channel (whistleblowing) is available to internal and external stakeholders, accessible via the web or hotline, as indicated on the dedicated web page (whistleblowing procedure). There are also various processes and tools available to communities in the area of influence of our activities, as well as customer complaint or information channels via e-mail and website. The key elements of the reporting process ensure its proper functioning in line with industry best practices:

- anonymity;
- protection against all forms of retaliation, threats, discrimination, unlawful acts that constitute or may constitute a violation - or inducement to vio-

late - laws and regulations, values and principles set out in the KME Code of Conduct, corporate *policies* and procedures;

• Group-wide uniformity of treatment, guaranteed by the presence of an external focal point for the handling of reports.

The mechanisms that the Group provides to seek clarification on the implementation of the organisation's policies and practices for responsible business conduct, as well as to raise concerns about business conduct, are part of the Group's whistle-blowing process ("Processes for Addressing Negative Impacts").

### Actions for anti-competitive behaviour, antitrust and monopolistic practices

During the reporting period, no legal actions were taken against Group companies in connection with anti-competitive behaviour and/or violations of anti-trust and anti-monopoly laws, and no litigation was pending on these matters.



# 2.5 Code of Ethics

The Code of Ethics defines the values that inspire the KME Group, as well as the principles and rules of conduct to be adopted in relations with the main stakeholders. The rules of the Code apply, without exception, to all employees, members of corporate bodies and collaborators of the companies of the Group and to all those who, directly or indirectly, permanently or temporarily, establish relationships and relations with them, or work to pursue their objectives.

The Code is inspired by the following national and international guidelines on human rights, corporate social responsibility and corporate governance:

- the United Nations Universal Declaration of Human Rights;
- the UN Convention on the Rights of the Child;
- the Convention on the Elimination of All Forms of Discrimination against Women of the United Nations;
- · the UN Global Compact Principles;
- the 8 Core Conventions of the ILO (International Labour Organisation);
- the OECD (Organisation for Economic Cooperation and Development) Guidelines for Multinational Enterprises;
- the Charter of Fundamental Rights of the European Union;
- the Corporate Governance Code of Borsa Italiana;
- the Charter of Corporate Values of the European Institute for Social Reporting;
- Legislative Decree No. 231 of 8 June 2001 'Regulations on the administrative liability of legal persons, companies and associations, including those without legal personality' and subsequent updates;
- the United Nations Convention against Corruption.



### Values

#### Sustainable innovation

KME Group has adopted the concept of sustainable innovation as a basic principle for the Group's growth, based on the revival of the concept of economic development: for a long time, sustainability and innovation were opposing concepts, partly because most technological innovations had a negative impact on the natural environment and the well-being of society. Today, on the other hand, innovation can and must be used to improve the environment in which we live, and it serves the needs of sustainability. Innovation and sustainability together become the key elements on which the competitiveness of companies is played.

#### People protection and respect

KME Group is committed to protecting the freedoms and rights of human resources, promoting a climate of cooperation and mutual respect, both among its own people and towards external stakeholders. The Group is committed to combating all forms of discrimination, also valuing differences in origin, nationality, religion, ideology, gender, age, physical appearance and characteristics, sexual orientation and membership of protected categories.

#### Social Responsibility

The person, his or her needs and the community in which we operate are at the centre of our approach. Valuing people at all stages of their working life is part of the sensitivity and experience of the Group, which has always been committed to creating shared value in the communities in which it operates. KME has always been committed to developing concrete Social Responsibility initiatives. For the Group, protecting people also means pursuing social projects to support employees, employees' families, the community hosting the production sites and stakeholders outside the KME context, achieved by the Dynamo System, a third-sector success story conceived and pro-

#### Integrity, honesty and transparency

moted by the Group more than 15 years ago.

KME asks the Recipients of the Code to behave honestly, basing their activities on respect for the values of integrity and transparency, and takes as its founding principles for the conduct of its activities and business, compliance with the law and regulations of the countries in which it operates, as well as its organisational and governance system.

### **Code of Conduct**

#### Impartiality and conflicts of interest

The KME Group is committed to preventing or managing the occurrence of conflict of interest situations involving the Recipients of the Code of Ethics. Therefore, KME requires its Recipients to act in the interest of the Group, clearly separating personal interests from those of KME and ensuring the impartiality of their actions and decisions. In the event that a conflict of interest arises that interferes with the ability to make decisions objectively and impartially, stakeholders are asked to immediately report the situation to their supervisor and/or internal contact person so that the situation can be dealt with appropriately. KME is aware that a conflict of interest may also arise in the course of a business relationship with a competitor or customer, or in the case of participation in collateral activities that may prevent the Recipient from being able to adequately fulfil his or her responsibilities towards the Group. In order to avoid potential conflicts of interest with third parties, KME is committed to ensuring that business relationships are always based on objective criteria.

#### **Confidential information**

Information of a confidential nature, relating to data or knowledge belonging to the Group or its subsidiaries, must not be acquired, used or communicated except by authorised persons - generally or specifically. By way of example only, the following are considered confidential information: business plans, including commercial, industrial and strategic plans, information on know-how and technological processes, financial transactions, operating strategies, investment and divestment strategies, operating results, employee personal data, lists of customers, suppliers and partners.

In the area of confidential information, with parti-With reference to KME Group S.p.A., of particular importance is "price sensitive" information, defined as information on facts that are not in the public domain and which, if made public, could sensibly influence the price of financial instruments. Such information, in compliance with the regulations on "insider trading" and the company procedure in place, must in no way be used to gain advantages of any kind, whether direct or indirect, immediate or future, personal or financial, even if to the benefit of the KME Group or its subsidiaries. According to the procedures adopted by KME Group, "price-sensitive" information must only be disclosed outside the company by authorised persons and, in any case, in compliance with current provisions and the principles of parity and simultaneous disclosure.

#### **Protection of privacy**

As a Group with worldwide operations, KME is obliged to adhere to the applicable national and international data protection provisions. KME asks the addressees of this Code to comply with the national data protection provisions in force and international data protection rules and, in particular, to those relating to the protection of personal data - in the meaning attributed to them by the relevant regulations against unauthorised access by third parties. In case of doubt and in the event of a breach of the applicable data protection rules, the responsible person must be informed immediately in order to take all appropriate measures (including notification of the competent authority, where required).

#### **Protection of corporate assets**

The KME Group is aware of the importance of protecting and preserving the company's assets in order to guarantee the protection of its people, its activities and its reputation. Each employee is therefore directly and personally responsible for the protection and preservation of the physical and intangible assets and resources, whether human, tangible or intangible, entrusted to him/her to carry out his/her duties, as well as for their use in his/her own way and in accordance with the company's interest.

#### **Intellectual Property**

The results of scientific research and technical development work are valuable assets of the company. Inventions, patents and all intellectual property in general represent fundamental elements for the future of the Group. Therefore, the greatest possible care must be taken to ensure that the rights to intellectual property created within the Group receive adequate protection. In addition, the KME Group itself operates with respect for the legally recognised intellectual property rights of third parties. The Group has adopted state-of-the-art cyber security measures to protect the Group's electronic network. KME employees must comply with all internal rules (e.g. external access and password policy) and, in case of doubt, contact their supervisor and/or the internal KME contact person.

#### Accounting and management information

KME is committed to ensuring that the information contained in the periodical reports and/or in the general and analytical con- trols comply with the principles of transparency, correctness, completeness, existence and accuracy. Every act or transaction, of any kind, carried out by the Addressees of this Code, shall be based on adequate documentation and be reasonably verifiable. Records, especially those containing documentation of accounting relevance, must be complete, correct, orderly and such as to clearly express the course of such transactions. Accounting records and related documentation must fully and accurately reflect all business transactions and provide a true and fair view of the company's activities.

#### Anticorruption

The KME Group is committed to combating corruption in all its forms, basing its activities on the values of integrity, honesty and transparency and maintaining fair and equitable relations with its stakeholders.

The possibility of obtaining higher profits or gains, of whatever amount, shall under no circumstances justify illegal business practices. This principle applies without exception at all levels in the KME Group. Therefore, the Group asks its stakeholders to comply with the rules of conduct set out in this Code and, to the extent applicable, in the Organisational, Management and Control Model, pursuant to Legislative Decree 231/01, adopted by individual Group companies, and to act in accordance with ethical and legal standards, without resorting to illegal means, such as attempts at bribery, favouritism and solicitation of personal advantages.

#### Gifts and other benefits

Acceptance of gifts and other benefits is prohibited in cases where it may be judged negatively by third parties, whether in real terms or mere perception. KME considers the acceptance of gifts and other benefits to be permissible if the material value (excluding cash and vouchers), is low. In the case of gifts and other benefits that are large in amount and cannot be refused or returned, e.g. because in the specific situation this would constitute discourtesy, they should be used in another way, e.g. by means of an internal lottery or by allocating them to a charity. KME considers it acceptable to give gifts and other benefits of limited amounts if such gifts and benefits are socially acceptable, appropriate and recognisable as business courtesies.

#### Fair Competition and Antitrust

KME deals with its stakeholders consistently with the values and principles contained in this Code, and is committed to promoting compliance with antitrust and competition laws. Therefore, the Group asks the Recipients of the Code to act with respect for healthy, fair and free competition, to oppose and report to their superiors and/or their internal contact person any anti-competitive practices of which they become aware and to act in compliance with the applicable laws on the subject.

Furthermore, KME complies with applicable national and international rules on exports and imports of goods, as well as trade, economic and financial restrictions on sales/purchases to countries, entities or persons subject to embargoes, restrictions or sanctions.

#### People

KME aims to promote employees' awareness of the rules and ethical principles to be observed in their daily work. All employees are therefore obliged to comply with the applicable laws and company directives.

#### Ethical principles and standards of behaviour towards of stakeholers

The values defined in the Code of Ethics are embodied in the following ethical principles and standards of conduct, which govern the relationship between the KME Group and its stakeholders.

#### **Respect for human rights**

KME guarantees respect for the personal dignity, privacy and rights of each employee and does not force any individual to work against his or her will. The Group guarantees compliance with the maximum number of working hours established by applicable laws and recognises the right of its employees to free association.

Group companies, in the countries where they operate, carry out their activities in harmony with current legislation protecting working conditions, guaranteeing the prohibition of child or forced labour. In particular, KME avoids the employment of personnel under the age of 15, with the exception expressly provided for by international conventions (ILO Convention 138) for Emerging Countries, where the age limit is 14.

#### Health and safety

KME is committed to protecting the health of workers and promoting a safe working environment, following the goal of 'zero' work-related injuries. Work and providing a healthy and safe working environment for its employees, visitors and contractual partners through the adoption of appropriate organisational and preventive measures.


#### Equal opportunities and non-discrimination

KME promotes equal opportunities in the work and treatment of its employees. Relations between employees of the companies of the Group must be based on the principles of civil coexistence and must be conducted with mutual respect for the rights and freedoms of individuals. In particular, there shall be no discrimination or retaliation on grounds of nationality, religious belief, political and trade union membership, language and gender.

#### Principle of loyalty and fidelity

KME maintains a relationship of trust and loyalty with each of its employees. Relations between the different levels of responsibility shall be conducted with loyalty and fairness, respecting the confidentiality of the office. The heads of the organisational units shall exercise their delegated powers with objectivity and balance, taking proper care of the well-being and professional growth of their employees.

#### **Internal Control Processes**

The Group considers it of fundamental importance that its human resources are aware of the existence of control procedures and conscious of the contribution they make to company efficiency and the achievement of business objectives. The responsibility for creating an effective internal control system is common to every operational level; consequently, all employees, within the scope of their functions, are responsible for the definition, implementation and proper functioning of the controls inherent to the operational areas entrusted to them.

#### Customers

KME is committed to acting in compliance with the values of excellence and innovation, striving to meet the needs of its customers in the best possible way and guaranteeing them high quality standards of the products and services offered. Each Recipient must strive for maximum customer satisfaction, providing, among other things, complete, accurate and transparent information on products, services offered and the various aspects relating to commercial transactions, avoiding the use of misleading practices, so as to encourage well-considered and conscious choices in an option of responsibility and mutual respect.

#### Suppliers

The KME Group is committed to building long-lasting relationships with its suppliers of goods and services, based on criteria of mutual responsibility and sustainability, in order to favour the progressive improvement of its performance, protecting and promoting the values, principles and standards illustrated in this Code of Ethics. The selection of suppliers and the determination of purchasing conditions shall be made on the basis of an objective and transparent assessment that takes into account, inter alia, price, the ability to provide and guarantee services of an adequate level and the honesty and integrity of the supplier.

#### Investors and the financial world

The KME Group pursues sustainable success by committing to long-term value creation term for its investors and all its stakeholders, promoting the exchange of information and dialogue between the parties. KME is committed to establishing a relationship with current and potential investors and the financial community based on clear, complete and transparent information to ensure that investors can make informed decisions on whether to invest in the Group. The description of products and services, the Group's organisational structure and financial statistics and reports must always be based on criteria of completeness, correctness and transparency of information.

### Public Administration, Public Institutions and Regulatory Bodies

The undertaking of commitments with the Public Administration and Public Institutions is reserved exclusively to the appointed and authorised corporate functions. The Addressees who, in the context of their functions, legitimately have relations with the Public Administration, Public Institutions and Regulatory Bodies, have the responsibility to verify in advance and with due diligence that what is declared and/or certified, in the interest of the Group, is true and correct.

#### Political and trade union organisations

KME is open to dialogue with trade union representatives in order to address issues concerning labour relations and industrial relations in a collaborative and synergic manner. Group companies do not, in principle, make contributions to political and trade union parties, committees and organisations. If a contribution is deemed appropriate for the public interest, the Group determines whether it is permissible in light of applicable laws. All contributions must, however, be made in strict compliance with applicable laws and adequately recorded.

#### **News organisations**

Relations between Group companies and the mass media are the responsibility of the specifically designated corporate functions and must be consistent with the communication policy defined by the Group and existing corporate procedures. Participation, in the name of KME Group or on its behalf, in committees and associations of any kind, whether scientific, cultural or trade associations, must be duly authorised and formalised in writing, in compliance with corporate rules.

#### Local communities

KME is committed to establishing open communication with its stakeholders, including local community stakeholders and local authorities, with a view to pursuing the sustainable development of its activities and having a positive impact on the communities and territories in which the Group operates.

#### Environment

The KME Group is committed to promoting and disseminating a culture of environmental responsibility among its stakeholders. Among the Group's commitments in terms of environmental sustainability are the development of preventive strategies to avoid environmental pollution, the efficient use, the recovery and/or recyclability of materials and energy efficiency in the production and supply of its products and services. Recipients, in the performance of their duties, undertake to comply with current legislation on the protection and protection of the environment protection and also promote a conduct of their activities focused on the correct and functional use of resources and respect for the environment.

### 2.6 Supply chain sustainability

KME Group companies pay great attention to the sustainability of the supply chain. For this reason, they act as far as possible to ensure that their business partners comply with the principles set out in a **Code of Conduct for Business Partners**, with reference to globally established standards such as, in particular, the 'UN Global Compact', the 'UN Guiding Principles on Business and Human Rights' and the 'OECD Guidelines for Multinational Enterprises'.

KME's business partners must make a binding commitment to:

- comply with all legal regulations of the applicable legal system, in particular (but not exclusively) the provisions of the applicable legislation on competition, antitrust, trade restrictions, data protection, working hours, minimum wage and environment;
- actively ensure respect for fundamental rights. This includes respecting and promoting equal opportunities and equal treatment of all employees (irrespective of skin colour, social ethical background, race, nationality, sexual orientation, political and religious beliefs or opinions, gender, age, disability, union membership, physical characteristics and/or appearance), as well as respecting the dignity, privacy and general right to privacy of each individual employee, the prohibition of forced labour, torture, sexual harassment, and the right to form an employee organisation;
- respect the prohibition of child labour, i.e. not to employ persons who have not reached the minimum age set by ILO Convention 138;
- take measures to ensure the health and safety of employees and consequently train them to reduce the risk of occupational diseases and accidents;
- comply with the applicable provisions of environmental legislation, as well as international standards in this field;
- take appropriate measures to avoid the use of raw materials that directly or indirectly finance armed groups that violate human rights;
- not advise, tolerate or participate (whether directly or indirectly, actively or passively) in any action that may involve bribery and/or cor-

ruption. This also includes not offering or granting illegal advantages to anyone, nor requesting or accepting them from any person, with the aim of obtaining personal advantage or creating dependencies or conflicts of interest. The regulations applicable in the respective legal system must be complied with;

- comply with applicable anti-money laundering legislation, as well as international standards in this area;
- respect the property (including intellectual property) of third parties and take IT security measures;
- promote compliance in its supply chain with the principles set out in the 'Code of Conduct for Business Partners of the KME Group Companies'.

KME's supply chain mainly concerns primary metals (copper, zinc, nickel, lead, tin), rotary metals (copper, zinc, brass) and energy (electricity, gas, fuel). Other supplies of goods and services include packaging materials and transportation.

### No supply from war zones

KME only buys materials from approved and registered suppliers, and constantly inspects their work. It does not purchase materials from mines located in regions with armed conflicts.



#### Social and environmental criteria for selecting new suppliers

Human rights - and in particular labour practices, such as, but not limited to, the rejection of forced or child labour, respect for diversity, non-discrimination, freedom of association, fair and favourable working conditions, the protection of workers' privacy and community relations - are essential assessment aspects for the KME Group when selecting new suppliers. In light of the updated regulatory framework governing supply chain assessment, the group is in the process of updating its supplier assessment processes and procedures, in order to formalise activities that are currently completed by virtue of established business practices but are not part of a formal, structured process.

No supplier is selected using exclusively environmental criteria, but in the process of selecting new suppliers, the KME Group works with them to define criteria, technical requirements and solutions to further strengthen the standards of circularity and environmental sustainability within the supply relationship. The profile of the potential supplier is also assessed from the point of view of climate-changing emissions.



## 2.7 EHSQ Management System

The management system implemented in KME complies with the following requirements of international norms and standards:

- ISO 9001:2015 (Quality Management)
- IATF 16949:2016 (Additional QM requirements for automotive sectors)
- ISO 14001:2015 (Environmental Protection)
- ISO 45001:2018 (Safety and Health Protection)
- ISO 50001:2018 (Energy Management)



### 2.8 Management of extra-financial risks

The focus on KME SE's industrial activity leads the Company to be more directly subject to the risks of KME's business. The Group's monitoring of sustainability issues also translates into the careful mapping of non-financial risks - potential or current, direct or indirect - and the opportunities arising from the effective and efficient management of each issue. As part of the internal control and risk management system, risk assessment activities are carried out to identify potential risks from sources internal and external to the Group.

Group companies adopt a delegation system aimed at risk prevention and a functional organisation of occupational safety and environmental protection. Company management involves permanent risk management activities both by the delegated parties and by top management, based on reports received from the delegated parties and the supervisory body.





### **KME SE**

The main subsidiary of KME Group SpA is KME SE, based in Germany. KME SE is the parent company of the copper sector, with production sites in Germany, Italy, the Netherlands, France and Spain, and a worldwide presence through service centres and a sales network capable of meeting the needs of customers in the main industrial sectors.



### **Productions**

Thanks to its properties, copper has not only always been a widely used material, but is now more essential than ever for the most innovative industrial applications, e.g. in the fields of communication technology, automotive, aerospace and renewable energy. The product range offered by KME is mainly based on the production of rolled products of copper and its alloys, a division that represents the Group's core business. In addition to rolled products, KME produces and markets copper tubes for plumbing and industrial uses, bars and profiles in a wide range of sizes and copper grades.

Production in 2023 of copper and copper alloy products by the companies included in the reporting perimeter amounted to 268,619 tonnes.

### **Rolled Products**

Used in the electrical and electronics industry, construction, architecture, appliance manufacturing, automotive, renewable energy, power transmission, mechanical engineering, minting and telecommunications.

End markets: electrical industry, construction, mechanical engineering, automotive, renewable energy, architecture.



\*Production figures are to be understood as the quantity of products leaving the factories and service centres during the year, while the data on materials used, reported in the DNF, refer to the amount of materials entered (input) during the same period. The production data may therefore include some quantities not actually produced during the year but already in stock. Nevertheless, these data are still considered reliable, also in order to measure resource use efficiency with sufficient approximation, since the stock trend is essentially constant over time.

\*\*The service centres carry out cutting to size, packaging and shipping to customers. Some of them, such as the Besancon service centre (France) also carry out surface treatment by means of electrolytic tin plating and are able to carry out surface treatments on copper and copper alloy strips.

#### The following table details the production data of the copper companies included in the reporting scope.

Company		tonnes
KME ITALY	of which Fornaci di Barga	40,764
	of which Brescia	4,073
KME GERMANY		71,280
KME MANSFELD		71,884
KM COPPER BARS		13,364
KME STOLBERG		7,061
KME NETHERLANDS		20,967
SCT		8,257
TREFIMETAUX	of which Givet	12,996
	of which Niederbruck	3,173
KME ROLLED FRANCE		6,381
KME SPAIN		1,363
KME SC IT		2,843
KME SC SL		1,795
KME SC UK		2,417
Total		268,619

### 2.10 Product responsibility: quality and safety



Ensuring product quality and safety is a key priority for KME. Strong and constant attention is paid to this objective at all stages, from research and development to production and marketing. Within the supply chain, suppliers are selected on the basis of quality requirements. In the production phase, constant and strict controls are carried out. With regard to product safety, KME operates in compliance with the EU REACH and ROHS directives (see section 3.1 for more details). KME's quality management is certified according to ISO 9001 and IATF 16949.

The technological processes used aim to ensure high environmental standards and constant improvement in the efficient use of material resources, energy efficiency and climate protection. KME's environmental and energy management is certified in accordance with ISO 14001 and ISO 50001. Occupational health and safety is certified according to OHSAS 18001.

KME is a member of MARS (Metal Alliance for Responsible Sourcing), an initiative for sustainable design and certification of raw material sourcing.

# **Tecu**<sup>®</sup> - Copper sheets and strips for avant-garde **architecture**

KME's TECU<sup>®</sup> products are made of copper and copper alloys. Copper products are durable and recyclable, which is why they represent the idea of sustainability 'according to nature'. Only recycled copper is used in the manufacture of TECU<sup>®</sup> products.

Building with TECU® products is synonymous with a commitment to sustainability. The material's environmentally friendly properties are certified according to ISO 14025 and EN 15804 (EPD). The buildings are certifiable according to LEED, BREEAM and DGNB standards.

#### **CIRCULAR ECONOMY**

TECU® products are made exclusively from recycled metal and production waste, with all the economic and eco- logical advantages that this entails. Copper can be reused indefinitely without affecting its quality.

The refining of copper carried out by KME enables the complete removal of all impurities. This is an advantage for copper over, for example, aluminium, whose alloys, composite materials and coating components are rather difficult to remove.

#### **ENVIRONMENT**

TECU® products are environmentally friendly throughout their entire production and use cycle.

#### DURABILITY

OGICA

If installed correctly, TECU® products last at least as long as a house and retain their high value even afterwards. The ageing process of copper is very slow and corrosion-free, requires no maintenance and practically does not lose its value. After the time of use, maintenance intervention is required and it practically does not lose its value. After the time of use, the dismant-ling process provides valuable, reusable metal materials for new products.

#### RECYCLING

TECU® products make a significant contribution to the preservation of resources. Recycling copper by reducing the consumption of virgin raw materials, saving energy and reducing greenhouse gas emissions.

# 3/Environmental Sustainability



#### **Environmental** Sustainability

Environmental sustainability is both a value and a strategic driver for KME. It is a value because we want to contribute to the growth of an economy that does not damage ecological balances. It is a strategic choice both because improving efficiency in the use of resources is also important from the point of view of economic competitiveness, and because eco-innovation represents an important growth opportunity, especially in a sector like copper that is an essential driver for the energy transition. We are committed to the following objectives:

- use the best technologies for the efficient use of resources;
- protect the environment and health;
- reduce energy and water consumption;
- reduce greenhouse gas emissions in line with European climate neutrality targets;
- develop the circularity of production processes by increasing the use of secondary raw materials and recovering production waste;
- reduce the production of waste and encourage its recycling.

### 3.1 Environmental management

Companies producing copper and semi-finished copper products must operate in compliance with EU environmental legislation and national laws. Environmental authorisations are regulated by the Industrial Emissions Directive 2010/75/EU, which sets emission limits and requires the use of best available technologies. The copper industries are subject to the Emission Trading Scheme (ETS) for the reduction of CO<sub>2</sub> emissions. They are also affected, directly or indirectly, by EU chemicals legislation such as the REACH regulation, and by the RoHS and WEEE Directives, in order to protect the environment, human health and consumer safety.

Certifications

As part of a careful and rigorous management of all environmental aspects, KME adopts voluntary certification systems, including ISO 14001:2015 (environmental protection) and ISO 50001:2018 (energy management) in order to ensure even higher standards of environmental protection than those required by regulations by pursuing continuous improvement objectives.





Environmental authorisations

All KME Group companies have the necessary environmental authorisations and are committed to operating in compliance with their requirements, adopting procedures to identify, control, measure and reduce the environmental impacts of their activities.

### Reach



REACH is a 2017 European Union regulation to protect people and the environment from potential chemical risks.

KME supplies copper and copper alloy products in the form of hot and cold rolled sheets and strips, as well as pressed and trafiled tubes, profiles and bars, perforated parts and special products such as casting moulds. For the purposes of REACH, these are understood as products.

All materials or preparations contained in the products have been registered or pre-registered by KME or an upstream actor in the supply chain. KME is a downstream user of the substances contained in the copper or copper alloy products. These substances are subject to the registration

procedure as phase-in substances, whose use in the production of copper and copper alloy products is taken into account for registration. As far as semi-finished products made of copper and copper alloys are concerned, according to the REACH regulation these are products that are not subject to the legal obligation of a safety data sheet. However, it is KME's intention to provide its customers with the information contained in safety data sheets, and therefore to make these documents available for products. The information sheet is a voluntarily produced document, which is not intended to indicate the formal requirements of REACH. Compliance with the requirements under REACH is coordinated centrally.

### RoHS



The European Directives RoHS (2011/65/EU) and WEEE (2012/19/EU) restrict the use of hazardous substances in electrical and electronic equipment in order to contribute to the protection of human health and the environment, including the environmentally sound recovery and disposal of waste electrical and electronic equipment. KME complies with these directives by issuing declarations.





KME Group is engaged in constant improving energy efficiency.

Using energy efficiently is important not only from an environmental point of view to reduce greenhouse gas emissions, but also from the from an economic point of view in order to reduce costs operational.

KME adopts ISO certification 50001:2018 for continuous improvement performance in energy use



In 2023, energy consumption amounted to 1,847,172 GJ, almost entirely concentrated in the plants and service centres of the copper companies (1,842,744 GJ).

		2023			2022	
CONSUMPTION (GJ)	Production plants and service centres	Other companies	TOTAL	Production plants and ser- vice centres*	Other companies	TOTAL
Electricity	948,135	2,424	950,559	1,027,154	1,794	1,028,948
Natural gas	855,186	960	856,146	1,141,937	907	1,142,844
Diesel	25,500	1,007	26,507	20,855	2,503	23,358
Petrol	2,497	37	2,534	616	240	856
Extra light oil	292	0	292	461	0	461
LPG and propane	115	0	115	-	-	-
Biomass	11,018	0	6,000	11,682	0	11,682
Total	1,842,744	4,428	1,847,172	2,202,704	5,445	2,208,149

\* Following an improvement in the data collection process, it was possible to obtain the biomass consumption figure for the year 2022, which was not available in the previous Non-Financial Statement.

ENERGY CONSUM	PTION (GJ)	2023	2022
Production Plants and Serv	ice Centres		
Natural Gas and O	ther Fuels	894,609	1,171,744
	Electricity	948,135	1,027,154
	Total	1,842,744	2,198,898

ENERGY CONSUMPTION (GJ)	2023	2022
Other companies		
Natural Gas and Other Fuels	2,004	3,651
Electricity	2,424	1,794
Total	4,428	5,445

PURCHASED ELECTRICITY Production Plants and Service Centres 2023	kWh	GJ
Total	263,379,963	948,168
of which from certified renewable sources	121,312	437
of which from suppliers (fossil or mixed fuels) with emission data declaration	159,788,209	575,238
of which from suppliers (fossil or mixed fuels) without emission data declaration	103,461,343	372,461

<b>Energy intensity</b> Energy consumption per unit to production plants	ENERGY INTENSITY PRODUCTION PLANTS AND SERVICE CENTRES	2023	2022
and service centres, was 6.86 GJ per tonne of production.	GJ/t	6.86	6.43

#### Actions to reduce energy consumption

The gradual improvement of energy efficiency is pursued through management innovations and plant efficiency measures; in particular, through process efficiency, streamlining of production procedures and technological measures. Other actions concern the energy efficiency of buildings and workplaces, with interventions on the efficiency of heating and air-conditioning systems, including through computerised remote control systems, as well as the use of LEDs for lighting. For more detailed information on the actions undertaken and the results obtained, please refer to the sustainability reports of the individual KME group companies.





Continuous improvement in the efficient use of materials is a priority objective for KME as part of its sustainability strategies and in the context of the transition to a circular economy. To this end, measures are taken to:

- reduce production waste and for its recovery within production processes;
- · the use of recycled secondary raw materials instead of virgin raw materials;
- develop process and product innovations according to circular economy models.

#### **Materials used**

In 2023, the production plants and service centres used a total of 297,845 tonnes of materials\*. The predominant share is metals (90.8%).

MATERIALS USED (t)	2023	2022
Metals	270,622	347,549
Other materials	27,223	28,664
Total	297,845	376,213

\*the figure refers to the amount of material entering the plants during the year; it is possible to that a portion, albeit minimal, was not actually used during the year, remaining as stock in the warehouse; this may influence, albeit not significantly the data of the materials used.



#### **MATERIALS USED**

#### **Recycled materials**

KME makes extensive use of recycled materials: these are mainly copper scrap, classified as 'end-of-waste' according to EU Regulation 715/22013. In addition to this, there are internal recovery processes within the production process, which allow production residues and waste to be reused.

The Service Centres contribute to this virtuous circuit both because they use semi-finished products from the Group's production sites, which contain a significant proportion of secondary raw materials, and because they in turn reintroduce residual metals from processing into the integrated production cycle. In addition, packaging made from recycled materials\* is used.

\*Detailed data on recycled materials used for packaging, which quantitatively represent a very marginal share compared to recycled metals, are reported in the individual sustainability reports of the Group companies.

In 2023, the percentage of recycled materials out of the total materials used is 39.1%. If only metals are taken into account, this percentage rises to 42.9%. This is a further improvement compared to 2022, when these percentages were 36% and 38.7% respectively.





In addition, a significant share of production residues and waste is reutilised through in-house recovery processes. This further reduces the consumption of virgin raw materials and scrap, reducing waste and increasing material efficiency. If we also consider the materials fed back into the production cycle production through internal recovery processes (115,434 t), the percentage of metals from scrap recycling and internal recovery is 60% of the total metals processed (virgin raw materials, scrap, semi-finished products and metals recovered within the production cycle).

METALS	2023	2022
Primary metals (t)	154,412	212,963
Metals from recycling (t)	116,210	134,586
Total metals purchased (t)	270,622	347,549
Percentage of metals from recycling	42.9%	38.7%
Metals from internal recovery	115,434	133,631
Total metals processed (t)	386,056	481,180
Total metals from internal recycling and recovery (t)	231,644	268,217
Percentage of metals from internal recycling and recovery out of total metals processed	60%	55.7%

#### **Renewable raw materials**

Within the materials used, 6,315 tonnes are renewable raw materials (wood packaging, paper and cardboard, ecopallet). Compared to the total, they account for only 2.1 per cent, but if metals are excluded, the percentage of renewable raw materials rises to 23.2 per cent.

MATERIALS USED (t)	2023	2022
Renewable	6,315	7,817
Non renewable	291,530	368,396
Total	297,845	376,213

### Metal Alliance for Responsible Sourcing

KME is a member of MARS (Metal Alliance for Responsible Sourcing), an initiative for sustainable design and certification of raw material sourcing.

Metal Alliance supports companies in the creation of a management system oriented

practice to fulfil due diligence requirements in the supply chain and to meet the requirements of policy, customers and civil society. The system is based on the internationally recognised OECD guidelines national.





Proper waste management is essential for the protection of the environment and health. At the same time, it plays an important role in the transition to a circular economy. KME's priority objective is to reduce the production of waste and increase as much as possible its valorisation as a resource through recycling and other forms of recovery, while reducing disposal. The main waste generated includes production waste, packaging (wood, paper and cardboard, mixed materials), sludge, metals, refractory materials, waste oil, shredder dust and slag. A 60.2 per cent is non-hazardous waste, 39.8 per cent hazardous waste.

Production pla	WASTE (t) ants and service centres	2023	%	2022	%
	non-hazardous	8,944	60.2%	8,253	61.6%
	hazardous	5,923	39.8%	5,149	38.4%
	Total	14,867	100%	13,401	100%



WASTE GENERATED (t)	Hazardous	Non-hazardous	Total
01-WASTES FROM EXPLORATION, EXTRACTION AND PHYSICAL AND CHEMICAL PROCESSING OF MINERALS	-	-	-
02- WASTE FROM AGRICULTURE, HORTICULTURE, AQUACULTURE, FORESTRY, HUNTING AND FISHING, FOOD PREPARATION AND PROCESSING	-	-	-
03 -WASTE FROM WOOD PROCESSING AND THE PRODUCTION OF PANELS AND FURNITURE, PULP, PAPER AND CARDBOARD	-	5	5
04 - WASTES FROM THE LEATHER, FUR AND TEXTILE INDUSTRIES	-	-	-
05 - WASTES FROM PETROLEUM REFINING, NATURAL GAS PURIFICATION AND PYROLYTIC TREATMENT OF COAL	-	-	-
06 - WASTES FROM INORGANIC CHEMICAL PROCESSES	181	13	194
07 -WASTES FROM ORGANIC CHEMICAL PROCESSES	1	9	10
08 - WASTES FROM MANUFACTURE, FORMULATION, SUPPLY AND USE (MFSU) OF COATINGS (PAINTS, VARNISHES AND VITREOUS ENAMELS), ADHESIVES, SEALANTS AND PRINTING INKS	1	-	1
09 - WASTE FROM THE PHOTOGRAPHIC INDUSTRY	-	-	-
10 - WASTE FROM THERMAL PROCESSES	228	1,561	1,789
11 - WASTES FROM CHEMICAL SURFACE TREATMENT AND COATING OF METALS AND OTHER MATERIALS; NON- FERROUS HYDROMETALLURGY	1,627	12	1,639
12 - WASTES FROM DEMOULDING AND PHYSICAL AND MECHANICAL SURFACE TREATMENT OF METALS AND PLASTICS	1,262	603	1,865
13 - OIL AND LIQUID FUELS WASTES (excluding edible oils)	259	-	259
14 - WASTE ORGANIC SOLVENTS, COOLANTS AND PROPELLANTS	-	-	-
15 - PACKAGING WASTE; ABSORBENTS, WIPES, FILTER MATERIALS AND PROTECTIVE CLOTHING NOT OTHERWISE SPECIFIED	204	1,520	1,724
16 - WASTES NOT OTHERWISE SPECIFIED IN THE LIST	702	2,448	3,150
17 - CONSTRUCTION AND DEMOLITION WASTE (INCLUDING EXCAVATED SOIL FROM CONTAMINATED SITES)	1,099	1,708	2,807
18 - WASTE FROM HUMAN OR ANIMAL HEALTH CARE AND/ OR RELATED RESEARCH	-	-	-
19 - WASTES FROM WASTE TREATMENT FACILITIES, OFF-SITE WASTE WATER TREATMENT PLANTS AND PREPARATION OF WATER INTENDED FOR HUMAN CONSUMPTION AND WATER FOR INDUSTRIAL USE	358	14	372
20 - MUNICIPAL WASTE (HOUSEHOLD AND SIMILAR WASTE, COMMERCIAL, INDUSTRIAL AND INSTITUTIONAL WASTE) INCLUDING SEPARATELY COLLECTED FRACTIONS	1	1,051	1,052
TOTAL	5,923	8,944	14,867
%	39.8%	60.2%	100%

For each tonne produced, 0.055 tonnes of waste were generated WASTE GENERAT	0.055 t/t ED PER UNIT OF PROD	DUCT	 2023 0.055	<b>aste per u</b> of produc <b>0.055</b> t/t <u>2022</u> 0.039	ct
WASTE MANAGEMENT (t)	2023	%		2022	%
sent for recycling	10,247	68.9		11,077	82.6
disposal	4,620	31.1		2,325	17.4
Total	14,867	100		13,401	100
68.9% of waste was sent to recycling or other forms of recovery. The remaining share (31.1%) was sent for disposal	68.9%			ecycled w or other fo of recove <b>68.9</b> %	orms ery





### 3.5 Greenhouse gas emissions

The European Green Deal aims to make Europe the first climate-neutral continent by 2050. The European Climate Act enshrines the binding commitment of climate neutrality by 2050 and the intermediate target of reducing net greenhouse gas emissions by at least 55% by 2030 compared to 1990 levels. The copper industries are subject to the Emission Trading Scheme (ETS), adopted by the European Union to achieve  $CO_2$  reduction targets in major industrial sectors.

#### Greenhouse gas emissions from the copper industry

Greenhouse gas emissions from refined copper production account for 2 per cent of total emissions from the metals and mining sector, and 0.2 per cent of total global anthropogenic emissions. At the same time, copper is a key material in a range of technologies that together can cut around two-thirds of global greenhouse gas emissions.



**Copper industry generates** 0.2% of global greenhouse gas emissions

**Copper is essential for** the energy transition With solutions that contribute to the reduction of 2/3 of global greenhouse gas emissions



KME is committed to the progressive evolution of its production model towards a zero-emission economy, in line with the EU's climate neutrality goals.



#### Scope 1 and Scope 2 emissions

Considering all companies reported in the scope, direct CO<sub>2</sub> emissions were 52,274 t, indirect emissions 85,095 t in the location based approach and 97,517 t according to the market based methodology\*.

\*Location-based emissions are calculated on the basis of the emission factors for the electricity production of each European country; market-based emissions are based on the emissions declared by the electricity supplier or, in the absence thereof, on the emission factors for the residual electricity mix (i.e. electricity production minus production with certificate of origin).

		2023			2022	
EMISSIONS (t CO2e)	Production plants and service centres	Other companies	Total	Production plants and service centres	Other companies	Total
<b>Direct emissions</b> (scope 1)	52,141	133	52,274	66,809	254	67,062
Indirect emissions (scope 2 location based)	84,923	172	85,095	102,434	122	102,557
Indirect emissions (scope 2 market based)	97,208	309	97,517	150,369	228	150,596
<b>Total</b> (scope 1 e scope 2 location based)	137,064	305	137,369	169,243	376	169,619
<b>Total</b> (scope 1 e scope 2 market based)	149,350	442	149,792	217,177	481	217,659

Production plants and service centres generate 99.7 per cent of emissions. Their intensity - expressed as tonnes CO<sub>2</sub>e per tonne of production - is 0.510 t CO<sub>2</sub>e according to the location based approach and 0.559 t CO<sub>2</sub>e according to the market based approach.

CO <sub>2</sub> e EMISSIONS PER UNIT OF PRODUCT (t/t) Production plants and service centres	2023	2022
Direct emissions (scope 1)	0.194	0.196
Indirect emissions (scope 2 location based)	0.316	0.301
Indirect emissions (scope 2 market based)	0.361	0.441
Total (scope 1 and scope 2 location based)	0.510	0.497
Total (scope 1 and scope 2 market based)	0.559	0.637

#### **Biogenic emissions**

KME Germany, KME Mansfeld and KMCB generated biogenic emissions from biomass combustion amounting to 561, 484 and 187 tonnes of CO<sub>2</sub>, respectively, for a total of 1,232 tonnes.

BIOGENIC EMISSIONS CO <sub>2</sub> e	2023	2022
t	1,232	1,307

#### **GHG refrigerant gases**

There is no use of GHG refrigerant gases with leakage.

### Calculation of **scope 3 emissions** and product and organisation **carbon footprint**

During the second half of 2023, KME started a first project aimed at certifying the, product carbon footprint ('PCF'), generated by a new product of the rolled division, which is still in the pre-production phase, as a pilot project for the definition of the product carbon footprint and its certification according to the international best practices.

The project involved a third-party auditor, who supported the company in defining the PCF calculation algorithm, including the quantification of scope 3 emissions, to capture emissions generated in the value chain. By December 2023, the calculation algorithm was already available and pre-validated by the auditor, pending completion of the activities necessary for the start of commercialisation of the new product, in order to acquire the final certification.

The company's objective is to proceed with the extension of the scope 3 emissions calculation for the other products in KME's portfolio as well, in order to derive the portfolio PCF with the highest degree of granularity possible, and to calculate and certify the carbon footprint of the organisation as a whole, or corporate carbon footprint.

#### **CLIMATE OFFSETTING MEASURES**

With the aim of decreasing their carbon footprint, the main industrial companies of the KME Group (KME Italy, KME Mansfeld and KME Germany) have implemented CO<sub>2</sub> offsetting measures through an agreement with Natural Capital Italia SpA, a company of the Group committed to the defence and conservation of natural capital (water, air, soil, biodiversity).

Thanks to this agreement, approximately 11,000 tonnes of CO<sub>2</sub> generated by Group plants\* were offset in 2023.

\*The offsets are not certified by third-party entities.

The interventions are carried out at Oasi Dynamo, a nature reserve of about 1,000 hectares, affiliated with the WWF, at an altitude of 1,110 metres in the Pistoia Apennines. In particular, Oasi Dynamo has equipped itself with a forest management plan focused on a sustainable use of wood resources, allowing plants to maximise their ability to seize CO<sub>2</sub>. Plants, as is well known, are an important tool for reducing the greenhouse effect, as through their photosynthesis activity they are able to lock up large quantities of CO<sub>2</sub> and store carbon in the form of biomass. On average, the amount of CO<sub>2</sub> absorbed annually by a tree varies from 20 to 50 kg; an adult forest can store more than 150 t/ha of CO<sub>2</sub> in the form of organic carbon compounds. The measures implemented through the agreement with KME result in an annual increase in absorption capacity of approximately 11,000 tonnes of CO<sub>2</sub>.



#### **KME CLIMATE ACTIONS**

The transformation of production methods and related operational processes is at the heart of the strategy towards climate neutrality. The KME Group has adopted strategies to reduce emissions and decarbonise industrial processes, in line with the goals of the 2015 Paris Agreement and the European Union's Green Deal Industrial Plan. KME is committed to doing more and doing better:

- reduction of direct emissions generated by its industrial activities;
- reduction of indirect emissions related to purchased and consumed electricity;
- CO<sub>2</sub> compensation measures;
- innovative technologies and projects for decarbonisation;
- use of secondary raw materials from recycling and development of circularity;
- partnerships and shared initiatives.

### **KME** FOR CLIMATE

Copper is the basis of KME's business activities. Due to its features, copper is indispensable for the energy transition and the achievement of climate neutrality goals. Furthermore, its potentially unlimited recyclability makes this material particularly climate-friendly.

#### **Energy Management**

With its ISO 50001 certified energy management, KME makes an important contribution to the efficient use of resources.

#### **Copper recycling**

Numerous measures for the use of innovative technologies for the utilisation of secondary raw materials have already been implemented.

#### **Ecological copper**

KME offers the market a material with a particularly climate-friendly CO<sub>2</sub> balance, guaranteed by the exclusive use of secondary raw materials (100% copper scrap). In this way, we avoid the use of new metals, the energy-intensive extraction and processing of which generates many climate-changing emissions.

#### **Energy transition**

KME is constantly working on process optimisation to reduce energy consumption - with continuous improvement of energy efficiency in all operational areas - to progressively replace fossil fuels with renewable energy sources and heat recovery.

#### **Further Actions**

- CO2 emission values are recorded and reported in a transparent manner. Participation in various benchmar king projects in the copper industry ensures a correct assessment.
- As part of the CDP sustainability ranking, we report our CO<sub>2</sub> emissions on a voluntary basis. The CDP is a non-profit organisation that
  promotes transparent climate reporting.
- By engaging in the Science-Based Targets Initiative (SBTi), we commit to setting a science-based climate target to reduce our CO<sub>2</sub> emissions, which will help limit global warming to 1.5 °C in accordance with the Paris Agreement and become climate neutral by 2050.
- To help achieve the goal of climate neutrality, KME collaborates with competent partners. Customers and suppliers are also involved in order to achieve the broadest possible results.

### Metals pro Climate

KME is a member of Metals pro Climate, an initiative of leading companies in the non-ferrous metals industry committed to climate protection.

# Hydrogen use for climate **neutrality**

KME Germany, together with Georgsmarienhütte, Q1, EWE and the logistics network KNI, intends to implement hydrogen projects in the Osnabrück area, thus promoting the region's transformation to climate neutrality.

To this end, a memorandum of understanding was signed between the partners in 2022, which is planning, among other things, the construction of a hydrogen production plant with a hydrogen pipeline network to connect Georgsmarienhütte and KME, as well as the construction of hydrogen filling stations at the Q1 sites.

Due to its central geographic location, the region has developed as an economic hub with large industrial companies, small and medium-sized enterprises and start-ups. The use of hydrogen is set to play an important role in making production and logistics more sustainable and climate neutral in the long run.

With this project, the KME Group further strengthens its commitment to the ecological transition, with the goal of zero climate impact.



The industrial sector is not commonly perceived as an economic sector that is particularly vulnerable to climate change; quite the opposite, the opportunities that the necessary actions for the ecological transition can offer to certain production chains are often underestimated. From this point of view, the copper industry - whose products are essential for the energy transition (renewable energies, energy efficiency, e-mobility, etc.) and are closely connected to the development of new technologies and new markets - is undoubtedly one of the production sectors that can most benefit from the development opportunities linked to the energy transition. No less important, considering the durability and recyclability of copper, are the opportunities connected with the transition to a circular economy, which is not only a necessary condition for achieving the goal of climate neutrality but also a factor of greater economic efficiency and competitiveness. It is precisely with regard to these scenarios that the KME Group has further focused its strategy in the copper sector.

However, also for this sector of the metal industry, as more generally for the entire industrial system, climate change entails many potential risks. They are financial risks, related to higher costs that may affect economic performance and business competitiveness. But they are first and foremost physical risks related to the increase in the frequency and intensity of extreme weather events (heavy rainfall, floods and landslides, droughts, fires) that may affect industrial activities and infrastructure located in the most vulnerable areas. Global warming, in fact, will have the effect of intensifying the hydrological cycle and increasing the frequency of flooding events in large parts of Europe, although uncertainties remain about quantitative estimates of the frequency and magnitude of events. This was the case, for example, at the KME plant in Stolberg, which was damaged in 2021 by flooding events in that region of Germany. For the copper industries too, therefore, the strategy for adapting to climate change must be based on a set of complementary approaches and measures for managing the increased risks associated with extreme weather events. The KME Group companies operating the production plants work to define possible preventive measures, after having verified the risks to which they are potentially exposed, in line with the adaptation plans prepared by public authorities. For example, KME Italy has carried out some works along an embankment of the Serchio river, near the plant and the town of Fornaci di Barga.

KME assesses the opportunities and risks related to climate change and defines the measures to be taken, also by linking risk management with the strategic approach energy and environmental issues. The definition of Group strategies is accompanied by an analysis of risks and opportunities, including aspects related to climate change and ecological transition. In view of the changed operating environment resulting from climate change (which also requires changes in established management choices) and its effects on the cost structure, financial choices and corporate value creation, the disclosure of risks and opportunities will be progressively expanded and deepened from year to year\*.

Following the recommendations of the Task Force on climate related financial disclosure, focusing on the risks and opportunities of climate change on companies and the consequent actions to be taken, the main types of risks and opportunities, and their impacts on corporate business, are grouped into two categories:

- risks and opportunities arising from changing physical variables (acute risks related to extreme weather events, and chronic risks related to gradual but structural changes in climate);
- risks and opportunities arising from changing ecological transition scenarios (related to regulatory and normative changes, emission limits and carbon pricing, energy and raw material costs, carbon-free technology development trends, investments for innovative activities and new markets, sustainable finance measures to support the ecological transition, etc.).

Also in view of the increasing use of copper for the energy transition, KME Group adopts strategies aimed at fully seizing opportunities, flanking them with operational best practices. The strategic objective of KME, in relation to the risks and opportunities arising from climate change, is to mitigate risks and maximise opportunities with a positioning that takes into account the medium- and long-term outlook.

\*The assessment of physical risks is rendered complex by the fact that in Italy - as highlighted in the National Plan for Adaptation to Climate Change - there is still no unambiguous, specific and complete reference to assess the effects of climate change on infrastructures and industrial activities. The critical state of knowledge is characterised by the lack of detailed studies of the scenarios of impact on the territory, for the consequent difficulty of risk analysis for the infrastructural and industrial system, as well as. for the absence of a system that can organically gather and systematise information on problems, good practices, available options at local and national level and related costs.

### CLIMATE RISK **MANAGEMENT** IN EUROPE

In its Communication 'Managing climate risks - protecting people and prosperity' of March 12 2024, addressed to the EU Parliament and Council, the European Commission highlights some crucial issues in relation to climate risk management, including the following:

- "The science is clear: Europe will face higher overall temperatures, the risk of more intense and frequent heat waves, prolonged droughts, more intense precipitation, less snow. The reports of the Intergovernmental Panel on Climate Change (IPCC) state this clearly. The climate impacts have already arrived and the risks will continue to increase in the coming decades and beyond due to the inertia of the climate system, even if ambitious cuts in global emissions will reduce the potential damage. In February 2024, the Copernicus Climate Change Service reported that the global average temperature for the previous 12 months had exceeded 1.5 degrees Celsius above pre-industrial levels. The outlook for Europe is presented in the European Environment Agency's First European Climate Risk Assessment (EUCRA). In the best-case scenario, where we limit global warming to 1.5 degrees compared to pre-industrial levels, Europe which is warming at twice the global rate will have to learn to live with a climate that is 3 degrees warmer and, as a result, face exponentially more heat waves and other extreme weather phenomena."
- "Every climate change-related disaster will put a strain on the economy, with loss of productivity and lives, direct damage, reduced
  growth potential and pressure on public budgets. When investments are redirected for reconstruction after damage, the amount
  available for productive investments is reduced. Interactions between different parts of the financial system are not well understood and climate risks may push existing vulnerabilities beyond critical thresholds for these systems. Public budgets are the main
  source of coverage for these risks, but they are already strained by high debt levels. Implicit contingent liabilities stemming from
  climate risks could put the fiscal stability and sustainability of Member States at risk. The risks to the EU economy could be significant. In light of existing data and knowledge gaps, it cannot be excluded that climate-related risks are currently underestimated.
  This may create disorderly market reactions, for example when extreme events occur or are likely to occur. Insurance coverage of
  climate-exposed assets and property is low in the EU, with significant variations between Member States and climate-related
  perils, and is likely to decline further as premiums rise as climate-related events increase in frequency and severity."
- "Climate-related risks pose a serious threat to the resilience of EU companies. Almost half of EU businesses are concerned about natural hazards, but less than a third of businesses have invested or plan to invest in mitigating the impact of natural hazards. Climate resilience is a matter of maintaining social functions, but also of competitiveness for economies and businesses, and therefore jobs. For businesses, climate risks are among the major risks of the coming decades. Whether it is exposed supply chains, increasingly limited access to insurance, vulnerable national assets, loss of biodiversity on which economic sectors depend, or insufficient protection of people, recovery from increasingly intense climate catastrophes will absorb more and more capacity and capital for the unprepared. The European Central Bank and the European Systemic Risk Board have recognised that climate risks can affect financial stability in many ways and have advocated the need for a robust system-wide macroprudential strategy to address such risks. At the same time, EU companies, including SMEs, have the potential to become leaders in some of the market segments that build resilience."



Land regions	Nort	hern Eı	ırope	West	tern Eu	rope	Cent	tral-Eas Europ		Sout	hern Eu	ırope	European regional		
	Past	Fut	ure	Past	Fut	ture	Past	Fut	ure	Past	Fut	ure	seas	Past F	Future
		Low	High		Low	High		Low	High		Low	High			
Mean temperature	7	7	7	7	7	7	7	7	7	7	7	7	· · · · · · · · · · · · ·	7	a 7
Heat wave days	□ (*)	7	7	7	7	7	7	7	7	7	7	7	temperature		
Total precipitation	7	7	7	7	/	Ы	7	7	/	И	Ы	И	Sea level	7	7
Heavy precipitation	7	7	7	7	7	7	7	7	7	7	7	7			
Drought	7	Ы	Ч	7	/	7	7	/	7	7	7	7			

#### Projected trends of major climate-related hazards in Europe



(limited agreement between models, datasets or indices)

(limited agreement between models, datasets or indices)

Low confidence in direction of change

(\*) Other heatwave indices show an increase for the past

### **ETS** reform

The ETS is an instrument of the European Union to reduce greenhouse gas emissions and combat climate change. It came into force in 2005 and was the world's first international emissions trading system. It covers some key sectors of the economy: about 10,000 production facilities in the energy and industry sectors that generate about 38% of the EU's total emissions. A reform of this system was implemented in 2023. The main features of the reform are:

#### 1. More ambitious emission reduction targets

The reform envisages a significant decrease in the maximum ('cap') of permitted emissions. The goal is to reduce emissions by 61% by 2030 compared to 2005 levels.

#### 2. Enlargement of scope

The ETS is being extended to new sectors, including aviation and maritime transport.

- 3. Strengthening social protection measures
- The reform includes measures to prevent an increase in energy costs from affecting lower income citizens.

4. Supporting the transition to a green economy

The reform includes the establishment of a Just Transition Fund, which will provide financial resources to support the regions and sectors most affected by decarbonisation, and ensure that the transition to a low-carbon economy is fair and inclusive.

#### 5. Introduction of a border adjustment mechanism

The reform includes a carbon border adjustment mechanism to prevent carbon leakage. The carbon border adjustment mechanism, which entered into force on October 1st 2023, will allow carbon tariffs to be applied to goods imported from countries that do not take appropriate measures to reduce emissions, to ensure a level playing field for EU companies and prevent emissions from simply being shifted elsewhere.

The reform of the ETS can have a significant impact on the reduction of greenhouse gas emissions in Europe, but it brings with it challenging tasks for businesses. Some industrial sectors may be challenged by the reduction of emission allowances, the cancellation of free concessions and the prospect of rising energy costs. It is therefore essential that appropriate flanking policies help companies to meet these challenges, ensuring that the transition is fair and effective. Moreover, the implementation of the carbon border adjustment mechanism is already leading to trade tensions with other countries, and it is therefore necessary for the European Union to handle these problems in a constructive and collaborative manner, working at the international level to promote cooperation on emission reductions.

# After **COP 28** in Dubai even more copper needed for the energy transition

30 Nov - 12 Dec

The agreement that concluded COP 28, the Climate Conference, in December 2023 reinforces the scenarios of a strong growth in the need for the metals required for the energy transition, first and foremost copper. In Dubai, almost 200 countries signed a commitment to reduce

the use of fossil fuels to achieve climate neutrality by 2050.

capacity from renewable sources by 2030. According to several analysts, the further acceleration of the race for renewables may lead to an additional demand for copper of up to 4.1 million tonnes between now and 2030, while another 1.5 million tonnes will be needed to upgrade electricity grids.

And among the targets is the tripling of generation

59





Protecting air quality by minimising the impacts of pollutant emissions is essential to protect both the natural environment and human health. To this end, KME adopts the best available techniques, operating in compliance with current regulations. Emissions from the KME Group's industrial activities concern the following substances in particular:

- nitrogen oxides (NOx)
- sulphur oxides (SOx)
- volatile organic compounds (VOC)

ATMOSPHE

particulate matter (PM).

There are no emissions of stratospheric ozone depleting substances (ODS).

RIC		Units of Measurement	2023	2022
	NOx	kg	39,686²	47,326
	SOx	kg	5,977 <sup>3</sup>	8,025
	VOC	kg	20,329 <sup>4</sup>	14,139
	PM	kg	6,876 <sup>5</sup>	10,213

1- The reporting of emissions by the Group's plants does not always include the same air pollutants, both because of different national regulations and because the emission monitoring and control plans prescribed by environmental authorisations differ depending on the production cycle and, consequently, the parameters considered significant. For the purposes of correct reporting, for each pollutant, the plants to which they refer are therefore indicated in detail the data reported in the tables.

However, the specific emissions per unit of product are calculated in relation to the aggregate production volume of all plants. The emission data in the tables are the result of measurement methods in compliance with environmental permits and reference regulations.

- 2- figure refers to KME Italy; KME Germany, KME Mansfeld, KME Stolberg, KME Netherland, KME Rolled France, SCT
- 3- figure refers to KME Germany, KME Mansfeld, KME Stolberg, KME Netherlands, KME Rolled France
- 4- figure refers to KME Italy, KME Mansfeld, KME Netherlands, SCT, TMX Givet,
- 5- figure for KME Italy, KME Germany, KME Mansfeld, KME Stolberg, KME Netherland, SCT, KMCB

	2023					20	22	
Emissions per unit of product	NOx	SOx	VOC	PM	NOx	SOx	VOC	РМ
kg/t	0.147	0.022	0.075	0.025	0.139	0.023	0.041	0.030





Water is a precious resource that should be used efficiently, avoiding waste and, as far as possible, recycling and reusing it in the production cycle. After use, it must be properly treated in purification plants before being returned to the ecosystem. KME works to limit the amount of water withdrawn from the various sources (wells, surface water, water networks, etc.), also making use of rainwater harvesting. Furthermore, thanks to a series of technological and plant engineering solutions, water is recycled and reused in industrial processes to a significant extent.

		2023			2022	
WATER (millions of litres)	Withdrawal	Discharge	Consumption	Withdrawal	Discharge	Consumption
Production plants and service centres	3,934.4	2,833.3	1,101.1	3,057.3	2,241.8	815.5
Other companies	10.6	10.6	-	12.1	12.1	-
Total	3,945.0	2,843.9	1,101.1	3,069.4	2,253.9	815.5

#### 2023

Water withdrawn Production plants and service centres (million litres)

Totale	3,934.4
Aqueduct <sup>2</sup>	131.8
Rainwater <sup>1</sup>	980.6
Source/groundwater <sup>2</sup>	2,527.2
Surface water <sup>1</sup>	294.8

		2023			2022	
<b>Recycled water</b> production plants and service centres	Recycled water	Water used*	% recycled water	Recycled water	Water used*	% recycled water
millions of litres	14,404.0	18,338.4	79%	16,373.4	19,430.7	84.3%

1-Calculater 2-Counter

> \*Il volume of the water used is the sum of the water withdrawn and the water recycled within the production facilities.

		2023			2022	
Water withdrawal and consump- tion per unit of product Production facilities and service centres	Withdrawn	Consumed	Recycled	Withdrawn	Consumed	Recycled
million litres/tonne	0.014	0.004	0.053	0.009	0.002	0.048



Thanks to water recycling and reuse the withdrawal of **14,404 million litres of water** was avoided corresponding to approximately **5,760 Olympic pools** 

#### Water-stressed areas

The table shows the classification of the areas in which are located production plants and service centres according to different degrees of water stress.

WATER STRESS	PRODUCTION PLANTS AND SERVICE CENTRES	WATER WITHDRAWN (million litres)	WATER CONSUMED (million litres)
MEDIUM-HIGH	KME ITALY	2,473.8	300
"	KME GERMANY	175.9	169.3
n	TREFIMETAUX (Givet)	186.3	186.1
HIGH	KME MANSFELD*	754.7	281.6
п	KM COPPER BARS*	83.3	83.3
п	KME SPAIN	0.2	0

\*For a correct interpretation of the data of KME Mansfeld and KM Copper Bars, it has to be considered that the two companies, operating within the same industrial area, have a single water discharge management and accounting system referring to KME Mansfeld.

#### **Purification and discharges**

Following appropriate purification processes, water is discharged in compliance with current regulations and legal limits. The water discharges of the plants and service centres in the reporting period amounted to 2,883.3 million litres.

### 3.9 Biodiversity



Protecting biological diversity is important for the survival of animal and plant species, genetic diversity and natural ecosystems, which provide fresh air and water and contribute to food security and human health. In the operations of production facilities, KME takes the necessary measures to prevent damage to natural habitats and minimise risks within the framework of proper management of environmental impacts.

#### **Natural Capital Italia SpA**

Through the benefit company Natural Capital Italia - a holding company that manages, coordinates and finances investments for the conservation of natural capital - the KME Group works for the conservation and enhancement of biodiversity. If environmental sustainability is pursued through the company's core mission - the conservation of natural systems - economic sustainability is developed through conservation-oriented services, oasis experiences and a management model aimed at improving the protection of biodiversity also by favouring the coexistence with the maintenance and development of organic farming.

Along with the CO<sub>2</sub> emission offsetting measures mentioned in paragraph 3.5, the agreement between the main industrial companies of the KME Group and Natural Capital Italia also provides for other measures relating to the conservation and enhancement of woodland and rural heritage in the 'Dynamo Oasis' area. These include biodiversity conservation, maintenance of hydrographic networks and water regulation services, soil conservation through environmentally sound agronomic practices, and maintenance of the oasis structures. This area is home to animal and plant species on the International Union for Conservation of Nature (IUCN) Red List.

### Natural Capital's strategy

The company's mission is to manage, coordinate and finance investments aimed at the conservation of some of Italy's most beautiful naturalistic oases, facing in an innovative way the challenge the challenge of compatibility of natural capital protection with economic profitability. To this end, the mission that Natural Capital Italia has set out to pursue can be summarised in the following points:

- Promotion and development of nature-based tourism, aimed at raising environmental awareness through nature experiences and outdoor activities;
- Development of sustainable agriculture and nature conservation projects;
- · Promoting employment in sectors with high growth potential, creating innovative skills to meet increasingly sophisticated demand;
- Harmony with the naturalistic management that characterises the WWF's mission in accordance with existing protocols and in support
  of modern forms of conservation.

Natural Capital

#### Partners

Target

Two organisations such as Dynamo and WWF - engaged in different fields but with some common elements such as environmental conservation, an experiential educational approach, and a national dimension - have decided to pool their professional, technical and organisational skills to promote a model of active integration between Nature conservation and sustainable development within selected and representative locations such as WWF Oasis and other similar areas to be identified throughout the country.

To create Italy's first group active in environmental conservation, which will innovatively manage the challenge of compatibility of natural capital protection with economic profitability.

The Dynamo Foundation has been engaged for about 20 years in supporting the design and development of business organisations that address social problems such as education, health, social services and the environment, while also fostering new employment. WWF Oasis manages the oases owned and entrusted by WWF Italy and aims to combine nature conservation with economic and environmental sustainability.



### **Dynamo** Oasis

Located in the heart of Tuscany, in the municipality of San Marcello Piteglio, Oasi Dynamo is a WWF-affiliated nature reserve. Over 1,000 hectares that overlook the Pistoia Apennines, extending from 700 to 1,100 metres in altitude. Below are the conservation activities developed in the area:

- Conservation: is a strategy that aims to protect and preserve the natural environment. Oasi Dynamo is trying to recover agricultural, livestock and forestry traditions within the area in a cultural preservation project. In cooperation with the WWF, appropriate actions are defined to achieve the conservation goals such as the protection of the area, the prevention of fire, vandalism and poaching risks, and the enhancement of the production and tourism part. Careful cultivation of the soil and breeding that respects the physiological rhythms of the animals are also envisaged.
- CO<sub>2</sub> Offsets and Ecosystem Services: Oasi Dynamo has implemented a carbon offset programme to contribute to resource conservation. The programme allows companies to purchase voluntary shares of carbon credits, contributing to the purchase of new forest plots and to the management and protection of protected areas.
- Scientific research: Oasi Dynamo is committed to promoting useful research to increase knowledge of biodiversity, particularly in the Apennines, offering students and researchers the opportunity to experience and explore environmental issues. Monthly censuses take place within the reserve, which aim to monitor the populations of various species. In addition, traineeships and theses are available for universities in the area, aimed at the conservation of the Apennine wolf, the small shrike and other species.
- Agriculture and animal husbandry: Oasi Dynamo runs a Nature Reserve where they cultivate raspberries, strawberries berries, blackberries, currants, gooseberries, giant blueberries, cherries and plums, as well as low-gluten waxes, potatoes and chestnut flour. In addition, they raise swine and beef cattle, producing cheese, cottage cheese and yoghurt. All agricultural production is BIO certified.



#### Flora management

The Greenery of the Oasis is quite diverse, varying greatly depending on altitude, exposure and human intervention. In the lower areas, broadleaf forests prevail, characterised by the presence of oaks (turkey oak and downy oak), hop-hornbeam, chestnut, cherry, field maple, hazelnut, aspen and black alder. At higher altitudes, the tree vegetation consists mainly of beech forests (coppices and copses) and coniferous forests (silver fir, Douglas fir and black pine) resulting from the reforestation of former crops and pastures. Rows of laburnum, cherry and rowan trees adorn the edges of the open areas.

#### Wildlife management

The area presents elements of great interest: there are numerous medium and large ungulates (roe deer, mouflon, deer, fallow deer, wild boar) and rodents (porcupine, squirrel, dormouse). Among the carnivorous mammals, in addition to the wolf, which in recent years has returned spontaneously to the Pistoia Apennines, reconstituting those natural balances that had been lost, are the fox, beech marten and weasel. The avifauna is also rich and diversified. Among the diurnal birds of prey are the goshawk, the short-toed eagle, the buzzard, the honey buzzard and the golden eagle, which nests nearby. Also present are the green woodpecker, black woodpecker, the common hoopoe and a large number of small passerines related to woodland and open environments, including the red-backed shrike.

# **4/Circular Economy**





KME works to contribute to the transition to a circular economy. Already today, its production is significantly influenced by the principles of circularity, as it uses materials from recycling and metal recovery. KME pursues objectives of continuous improvement of efficiency in the use of material, energy and water resources; this commitment is also implemented through projects aimed at process and product innovations, as well as through training activities of professional skills necessary to develop circular business models.

The transition to the circular economy requires investments in research and development, eco-design, process and product technological innovations, new materials, industrial symbiosis, and efficient use of resources: KME is committed to this direction through a series of projects consistent with the principles of the circular economy. Below are some of the projects involving the Fornaci di Barga and Osnabrück plants.

### **KME ITALY** A circular economy hub

KME Italy is building a circular economy hub in Fornaci di Barga with projects that aim to further improve efficiency in the use of materials and energy.

#### Industrial symbiosis project

The project has as its objectives:

- realise an industrial symbiosis experience in connection with the paper production district;
- self-producing energy, reducing its cost;
- improve the authorised emission framework of the industrial site;
- increase production and employment.

The project envisages the construction of a plant for the production of electric and thermal energy through the energy valorisation of paper mill processing residues (pulper and process sludge) from the paper district in the province of Lucca.

The project is able to generate benefits in terms of competitiveness for the plant, reducing energy costs, and at the same time can enable the waste paper cycle to be closed in an industrial symbiosis logic according to the principles of the circular economy.

#### **Circular Academy**

KME Italy has established the Circular Academy, a centre for training, research and innovation dedicated to the circular economy. A reference point for companies, with educational activities and laboratories equipped to support the development of the circular economy. The activities, carried out in collaboration with the Scuola Universitaria Superiore Sant'Anna in Pisa, aim to:

- provide functional knowledge to interpret the role of circular economy manager in an informed and innovative manner;
- develop the ability to know how to manage companies in a logic of circularity;
- address transformation processes according to the principles of the circular economy in all business processes, from design to supply chain management, from production to marketing



### **KME GERMANY** A project for the circular economy and reduction of CO<sub>2</sub> emissions

KME Germany GmbH in Osnabrück is realising a project to contribute to the transition to a circular economy and the reduction of CO<sub>2</sub> emissions with a new copper smelting and refining furnace. The investment is aimed at an increased use of copper scrap instead of virgin metals. The aim is to integrate the new furnace into the existing plant, with an unchanged total melting capacity of 45 tonnes/hour. The modernisation of the production facilities in Osnabrück is a strategic step towards optimising resource consumption and simultaneously reducing the ecological footprint. The innovative refining furnace enables the selective refining of copper scrap, allowing the targeted removal of unwanted impurities. The Osnabrück site thus aims to increasingly become a centre for innovative technologies at the forefront of sustainable and efficient use of resources.

### **Ecodesign** and sustainable products The new EU regulation and the copper industry

The transition to a circular economy is one of the main strategic challenges of the European Union in the context of the Green Deal from an environmental point of view, because it entails a reduction in the consumption of raw materials and greenhouse gas emissions; from an economic point of view, because a circular economy is more efficient and competitive; and finally from a geopolitical point of view, because it reduces dependence on third countries and strengthens Europe's strategic autonomy in the supply of raw materials.

The new EU Circular Economy Action Plan approved in 2021 pays special attention to sustainable product design and circularity in production processes, as well as to certain resource-intensive sectors with a high environmental impact. Of particular relevance for industries operating in the copper and copper alloy production sector will be the measures concerning ecodesign and sustainable products. The new regulation on eco-design will be accompanied, by means of special delegated acts, by specific measures for the main production chains with the provision of: new requirements for sustainability, durability and reusability of products; minimum content of recycled materials; possibility of recycling and recovery of materials; more information on products (digital passport, labels, etc.). In addition to the environmental benefits, the European Commission estimates that these measures will produce a number of advantages for companies in terms of reduced material costs, increased competitiveness, and greater transparency in the supply chain. Benefits are also expected for the European economy in terms of decoupling economic activity from resource use, increased circular use of materials, and reduced dependence in the supply of raw materials.







In order to accelerate the transition to a circular economy, it is necessary for each company to be fully aware of its own positioning: companies must be able to measure circularity performance at each stage of their production and along the entire value chain, from design to procurement, from production to sales and end-of-life management.

To this end, circularity measurement methodologies are being disseminated, with the aim of providing businesses not only with analysis tools but also with information and solutions to improve resource efficiency and circularity in the production cycle. While in the framework of the Action Plan for the Circular Economy the European Commission adopted in 2023 a new circularity monitoring system with indicators aimed at assessing resource efficiency at macroeconomic level, in 2022 the UNI/TS 11820 technical specifications for measuring circularity at "micro" (individual enterprises and organisations) and "meso" (territorial areas and industrial districts) level were published in Italy. The circularity indicators used in this chapter refer to a selection of these technical specifications.

#### Efficiency in the use of resources

The resource efficiency rate indicates the consumption of materials per unit of product: the lower this value, the more efficient the use of resources. In 2023, the KME Group recorded a resource efficiency rate of 1.109. This means, in other words, that for every tonne of products manufactured, 1.109 tonnes of materials were used.

RESOURCE EFFICIENCY	2023	2022
Materials (t/t)	1.109	1.104
Energy (GJ/t)	6.86	6.43

#### **Resource productivity**

The resource productivity rate measures the added value generated in relation to the consumption of materials and energy. In 2023, the KME Group generated EUR 1,089 per tonne of materials used and EUR 176 per GJ of energy consumed.

Resource productivity	2023
Materials*	1,089 euro/tonne
Energy	176 euro/GJ

\*The figure for materials used refers only to the copper segment, which, moreover, uses a volume of materials equal to almost 100% of those used by the entire Group

#### **Circularity rate**

The circularity rate measures the percentage of secondary raw materials (materials from recycling processes and the recovery of production waste fed back into the production cycle) in relation to the total materials used. The higher this percentage, the more virtuous the production cycle.

Secondary raw materials account for 39.1% of the materials used by KME Group in 2023 (compared to 36% in 2022); this contributes to a significant reduction in virgin raw material consumption and environmental impacts. When measured on metals alone, the circularity rate rises to 42.9%, a significant increase from 38.7% in the previous year. But the circularity of KME's production processes does not end with these numbers, because in addition to the use of recycled materials purchased on the market, residues and production waste are recovered and reintroduced into the production cycle within the plants. In this way, the percentage of metals from both the use of scrap and the recovery of production waste and residues rises to 60% of the total metals processed, with further growth from 55.7% in 2022.

CIRCULARITY RATE	2023	2022	%
Material circularity rate	39.1%	36%	+3.1%
Metal circularity rate	42.9%	38.7%	+4.2%
Metal circularity rate also considering internal recovery	60%	55.7%	+4.3%



#### Reduced energy consumption and CO<sub>2</sub> emissions through the use of recycled copper

The circular economy is one of the pillars of the strategy to achieve climate neutrality, as the use of recycled materials instead of virgin raw materials significantly reduces energy consumption and the carbon footprint\*. Thanks to the use of recycled copper, it can be estimated that in 2023 KME avoided the consumption of about 341,930 MWh and the generation of about 94,130 tonnes of CO<sub>2</sub>

\*For every 100,000 tonnes of copper, the use of recycled materials requires 630 TJ compared to 1,690 TJ when using virgin raw materials. For every 100,000 tonnes of copper, the use of recycled materials generates 44,000 tonnes of CO<sub>2</sub> compared to 125,000 tonnes of CO<sub>2</sub> generated by the use of virgin raw materials. (Source: Bureau of International Recycling BIR.

### THANKS TO THE USE OF RECYCLED COPPER

AVOIDED ENERGY CONSUMPTION	<b>341,930</b> MWh
AVOIDED CO <sub>2</sub> EMISSIONS	<b>94,130</b> t

#### **Waste Management**

The transition to a circular economy requires a progressive reduction of waste and an increase in material (or subordinately energy) recovery downstream of production through proper waste management. A significant indicator is the amount of waste per unit of product: in 2023, 0.055 tonnes of waste was generated for every tonne of production. Another important indicator from the point of view of the principles of the circular economy is the percentage of waste sent for recycling or other forms of recovery instead of disposal, which was 68.9 per cent in 2023.



#### Use of water resources

Using water efficiently is another essential goal in the transition to a more circular economy.

In 2023, 0.014 million litres were withdrawn for every tonne of production, while the water recycled and reused within the production process amounted to 0.053 million litres per unit of product. The percentage of recycled water out of the total water used reached 79%. Thanks to the measures taken, 14,404 million litres were avoided.

### **Recycled** water

**14,404** millions of litres



out of total water used

**79%** 






KME Group attributes a central role to the people who work in it and is committed, in compliance with current legislation and its Code of Ethics, to promoting training and professional growth, protecting health and safety at work, guaranteeing equal opportunities for men and women, and combating all forms of discrimination.

#### Workers' rights

KME Group guarantees the right of association and collective bargaining, respects the right of workers to join trade unions, works to promote positive industrial relations and the involvement of workers in strategies aimed at increasing economic competitiveness and maximum employment. The Code of Conduct commits KME to ensure respect for the personal dignity, privacy and rights of each individual and not to force anyone to work against their will.

#### Management of policies and working conditions

The management of working policies and conditions is regulated by national regulations and the relevant collective agreements. KME ensures compliance with the maximum number of working hours established by current regulations. The organisation, management and control model and the Code of Ethics specify all aspects to be protected in relations with personnel and social partners. Labour relations are regulated by the relevant national collective bargaining agreements (national metal industry contract and national industry management contract). In 2023, 97.7 per cent of the employees of the KME Group are covered by collective labour agreements.

COLLECTIVE LABOUR AGREEMENTS	2023
Total employees	3,382
Employees covered by collective labour agreements	3,302
Percentage	97.7%

#### Other information

- In the context of labour relations, the minimum notice period for operational changes, relocations and job changes is guaranteed by legal and contractual regulations.
- Social security and pension matters are handled in accordance with the regulations of the states in which they operate.
- Employees in blue-collar, administrative and managerial positions come from the local communities or, in general, from the countries where the production plants and service centres are located; the same criterion is generally used for managers, except in some cases of top positions for which specific skills are required.
- Employee performance is evaluated on the basis of company and individual objectives.
- The ratio of the annual total remuneration of the person receiving the highest remuneration to the median of the annual total remuneration of all employees (excluding the person receiving the highest remuneration) is 53.69. The ratio of the percentage increase in the annual total remuneration of the person receiving the highest remuneration to the median of the percentage increase in the annual total remuneration of all employees, compared to the previous year, is 5.46.





As of 31 December 2023, the KME Group had a total of 3,382 employees\*. Of these, 90% work in the companies operating the production plants and service centres. 29% of employees work in Italy, while 70.5% work in other European countries and 0.5% in non-European countries. 96.7% of employees have a permanent employment contract. The proportion of men is 86.6%, that of women 13.4%. The prevailing age group is the over-50s (47.7%), followed by the 30-50s (40.7%) and the under-30s (11.6%). As far as professional classification is concerned, 65.8% are blue collar workers, 27.1% white collars, 5.3% middle managers and 1.8% managers.

\*2023 is the first detailed reporting year for this indicator, so it was not possible to include data for 2022 for the comparison of information. This comparison will be possible from the next reporting year.

2023										
<b>EMPLOYEES</b> by country and gender	Italy	Other European countries	Non-European countries	TOTAL						
MEN	828	2,095	5	2,928						
WOMEN	151	291	12	454						
TOTAL	979	2,386	17	3,382						

### 2023

2025								
PERMANENT/TEMPORARY		Italy	Othe	r European countries	Non	-European countries		TOTAL
	Permanent	Temporary	Permanent	Temporary	Permanent	Temporary	Permanent	Temporary
MEN	825	3	2,014	81	4	1	2,843	85
WOMEN	146	5	276	15	5	7	427	27
TOTAL	971	8	2,290	96	9	8	3,270	112

### 2023

FULL TIME/PART TIME	Italy		ART TIME Italy Europe Other countries				TOTAL		
	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	
MEN	813	15	2,029	66	4	1	2,846	82	
WOMEN	133	18	215	76	9	3	357	97	
TOTAL	946	33	2,244	142	13	4	3,203	179	

2023							
PROFESSIONAL CATEGORIES		Men		Women	Total		
by gender	number	%	number	%	number	%	
Managers	55	1.6%	7	0.2%	62	1.8%	
Middle managers	150	4.4%	30	0.9%	180	5.3%	
White collars	549	16.2%	368	10.9%	917	27.1%	
Blue collars	2,174	64.3%	49	1.4%	2,223	65.8%	
Total	2,928	86.6%	454	13.4%	3,382	100%	

2023								
PROFESSIONAL CATEGORIES		<30		30-50	>50		Tota	
by age group	number	%	number	%	number	%	number	%
Managers	-	0%	22	0.7%	40	1.2%	62	1.8%
Middle managers	2	0.1%	68	2%	110	3.2%	180	5.3%
White collars	94	2.8%	416	12.3%	407	12%	917	27.1%
Blue collars	299	8.8%	869	25.7%	1,055	31.2%	2,223	65.8%
Total	395	11.7%	1,375	40.7%	1,612	47.6%	3,382	100%

#### 2023 **EMPLOYEES** 30-50 TOTAL <30 >50 by gender and age group MEN 1,148 1,443 2,928 337 WOMEN 58 227 169 454 TOTAL 395 1,375 1,612 3,382

2023									
EMPLOYEES BELONGING TO PROTECTED CATEGORIES	Men	Women	Total						
MANAGERS	2	-	2						
MIDDLE MANAGERS	2	-	2						
WHITE COLLARS	79	15	94						
BLUE COLLARS	78	2	80						
TOTAL	161	17	178						

**EMPLOYEES** 







#### **PROFESSIONAL CATEGORIES AGE GROUPS**



#### New hires and terminations

There were 161 new hires during 2023, while 335 employees terminated their employment during the same period.

2023										
HIRING	< 30	30-50	>50	TOTAL						
MEN	62	53	14	129						
WOMEN	16	14	2	32						
TOTAL	78	67	16	161						

2023										
TERMINATION OF EMPLOYMENT	<30	30-50	>50	TOTAL						
MEN	43	101	145	289						
WOMEN	11	25	10	46						
TOTAL	54	126	155	335						

2023											
<b>TURNOVER %</b>		<30	30-50	>50	TOTAL						
INGOING	MEN	18%	5%	1%	4%						
	WOMEN	28%	6%	1%	7%						
	TOTAL	20%	5%	1%	5%						
OUTGOING	MEN	13%	9%	10%	10%						
	WOMEN	19%	11%	6%	10%						
	TOTAL	14%	9%	10%	10%						

#### Comparisons with the previous year

The employee figures are not directly comparable with those of the previous year, as the reporting boundary has changed. In any case, it should be noted that in 2022, there were 2,963 employees of the companies included in the consolidated financial statements of the KME Group (i.e. 418 fewer than in 2023), of whom 2,546 men (85.9%) and 417 women (14.1%), distributed between countries as follows: 761 in Italy, 2,191 in Europe, 11 in non-European countries.

In 2022, 92.6% of the employees were fixed-term, 7.4% temporary; 94.3% full-time and 5.7% part-time. As regards professional classification, 64.8% were blue collar workers, 28.3% white collars, 5% middle management and 1.9% managers. With regard to age groups, 11.2% were under 30, 41.9% between 30 and 50, and 46.9% over 50. There were 218 recruitments and 453 terminations of employment.

2022	Total	Men	Women	Tempo- rary	Full time	Part time	<30	30-50	>50	Blue collars	White collars	Middle mana- gers.	Managers	Hires	Termina- tions
Employees	2,963	2,546	417		2,794	169	333	1,269	1,361	1,922	837	150	54	218	453

## 5.3 Non employees

Non-employees also work in the KME Group companies: there were 78 as at 31 December 2023.

2023									
NON-EMPLOYEES	Men	Women	Total						
External staff	19	15	34						
Self-employed workers	11	7	18						
Interims	8	2	10						
Stage	9	2	11						
Other	1	4	5						
TOTAL	48	30	78						



## **5.4 Equal opportunities**

The KME Group is committed to ensuring that there is no form of discrimination in the workplace with regard to gender, ethnicity, nationality, sexual orientation, religious beliefs, political opinions and trade union membership. The Code of Conduct commits KME to promote equal opportunities in the work and treatment of its employees. Every employee is required to avoid any form of direct or indirect discrimination on the grounds of race, origin, colour, nationality, religion, ideology, sex, age, physical appearance and characteristics, sexual orientation or membership of protected categories. These principles apply both with regard to cooperation within the company and in conduct towards external partners.



#### **Gender Equality**

In the KME Group companies as a whole, 86.6% of employees are men and 13.4% women. From the point of view of professional roles, the highest proportion of women is among white collars (40.1%); it is lower among middle managers (16.7%) and managers (11.3%), while among blue-collar workers it drops to 2.2%. There is no disparity between the basic salary of men and women.

#### PERCENTAGE OF WOMEN BY PROFESSIONAL CATEGORY



#### **Administrative bodies**

As of the date of approval of this report, the Board of Directors of the KME Group was composed equally of 5 men and 5 women<sup>1</sup>. If we consider all boards of directors of the companies included in the reporting scope, in 2023 there were 4 women (who were also members of several boards of directors in different companies) and 36 men.

<sup>1</sup>-In 2023, the Board consisted of 6 men and 4 women

2023							
GOVERNING BODIES OF GROUP COMPANIES	Men	Women	Total	Percentage			
<30	-	-	-	-			
30-50	10	-	10	25%			
>50	26	4	30	75%			
TOTAL	36	4	40	100%			
Percentage	90%	10%	100%				

#### **Countering discrimination**

During the period examined, there were no cases of discrimination in the workplace on the grounds of gender, ethnicity, nationality, sexual orientation, religious beliefs, political opinions or trade union membership. Following a case of sexual harassment involving two KME Netherlands employees outside the workplace and during working hours, the company proceeded to terminate the employment relationship with the employee responsible for this act.





KME considers the protection of workers' health and safety an essential element. To this end, it develops prevention activities and adopts safety measures with the goal of 'zero accidents at work'. All workers, both employees and non-employees, are covered by the occupational health and safety management system.

KME Group companies operate in compliance with the laws and regulations on occupational health and safety. KME adopts the ISO 45001:2018 (Occupational Safety and Health Protection) certification, which, in addition to the provisions of national laws on this subject, defines a voluntary worker heal-th and safety management system.



The management of company policies on occupational health and safety, concerning all workers, pursues the following objectives:

- reduce stress and workload;
- prevent work-related diseases and health risks;
- permanently improve health and safety in the workplace;
- maintain employee productivity;
- increase employee motivation and satisfaction;
- ensure the long-term success of the company.

In order to realise these objectives, in addition to measures for job safety, there are also mediative services, flexible working models, management of in-company integration and advisory activities. Of fundamental importance for preventing health and safety risks are training and information activities aimed at employees, especially those who work in industrial plants and service centres and are most exposed to risks.

Arrangements are in place for the involvement and participation of employee representatives in the management of health and safety activities. Employees also play an active role by reporting problems and potential unsafe situations to the company: in this way, action can be taken to further strengthen prevention and safety at work.

Possible safety risks are identified and assessed in the DVR, which is updated annually, in order to prevent and mitigate them. The main risks are related to possible mechanical accidents (cuts or bruises), accidents in the foundries (burns) and accidents when handling loads within the plants and service centres.

#### **Employee accidents**

In 2023 there were 26 accidents involving absences from work of more than one day (13 fewer than in the previous year). The majority were orthopaedic injuries (11), bruises (8) and burns (3). The most serious cases, which led to absences from work of more than six months, numbered 3. The cases of occupational illnesses were mainly due to orthopaedic diseases, such as shoulder tendinopathy and epicondylitis. There were no fatal accidents.

\*accident data refer to production plants and service centres only.

The following indicators measure the frequency and severity of accidents occurring in plants and service centres:

- Occupational accident rate<sup>1</sup> 5.81
- Rate of occupational accidents with serious consequences<sup>2</sup> 0.76
- Accident severity rate<sup>3</sup> **391.3**
- Rate of occupational diseases<sup>4</sup> 2.5
- Fatal accident rate<sup>5</sup> 0
- <sup>1-</sup> Frequency Rate: number of accidents with an absence of more than 1 day/number of hours worked x 1,000,000
- <sup>2.</sup> number of accidents with an absence of more than 6 months /number of hours worked x 1,000,000
- <sup>3.</sup> Gravity Index: days of absence due to accidents/ number of hours worked x 1,000,000)
- <sup>4-</sup> ODR: cases of occupational disease/number of hours worked x 1,000,000
- <sup>5-</sup> number of fatalities/hours worked x 1,000,000

2023									
SAFETY EMPLOYEES	Hours worked	Accidents (absence >1 day)	of which accidents serious (absence >6 mon- ths)	Lost days	Occupational Diseases	Frequency rate	Rate of serious accidents at work	Gravity Index	ODR
Production plants and service centres	3,960,653	26	3	1,550	10	5,81	0.76	391.4	2.5

SAFETY Employees	Frequer	icy rate	Serious ; ra		Gravity	/ index	OI	DR
Production plants and service centres	2023	2022	2023	2022	2023	2022	2023	2022
	5.81	10.9	0.76	2.5	391.4	255.7	2.5	1.7

#### Non-employee workers' accidents

In 2023, an accident at the Trefimetaux plant in Givet resulted in the death of a worker employed by a company outside the KME Group. No other accidents were recorded among non-employee workers. With approximately 187,000 hours worked\* the fatal accident rate is 5.3.

\*data estimated in excess considering 8 hours worked per working day







Training is an important aspect of corporate activities. In addition to carrying out compulsory training activities on occupational safety, KME Group companies organise training activities aimed at updating personnel and developing their professional skills, as well as on the principles and practices laid down in the Code of Conduct. In 2023, training activities totalling more than 34,000 hours were carried out, amounting to approximately 10 hours per capita

### 2023

TRAINING	Men			Women			Total		
	Total hours	Employees	Hours per capita	Total hours	Employees	Hours per capita	Total hours	Employees	Hours per capita
Managers	328	55	6	-	7	-	328	62	5.29
Middle managers	1,725	150	12	464	32	14	2,189	182	12.03
White collars	5,620	539	10	2,473	375	7	8,093	914	8.85
Blue collars	23,161	2,160	10.72	236	63	4	23,398	2,223	10.53
Total	30,835	2,904	10.62	3,173	477	6,65	34,008	3,381	10.06



#### **Training for apprentices**

In addition to training activities within the framework of work-school alternation programmes, some KME Group companies develop specific training activities for apprentices. These are mainly blue-collar (approx. 70%) but also clerical functions, mostly commercial (about 30%). At the end of the apprenticeship period, on average about 80% of apprentices are hired.

### **KME Academy**

KME has promoted the KME Academy project for professional training in the field of construction and architecture, with a pro- gramme of more than 15 types of courses throughout Europe, with a focus on the use of copper. Since its launch in 2010, KME Academy has been training high-level skills for professional installers on the use of copper products for building roofing (TECU<sup>®</sup>, Architectural Solutions) and plumbing (SANCO<sup>®</sup>, WICU<sup>®</sup>, SMISOL<sup>®</sup> etc.). The programme of courses and seminars incorporates multiple prerogatives to meet the markets and regulatory principles of the different European countries, integrating country-specific requirements with topics of general interest to the construction industry. Theoretical seminars are complemented by specific, sometimes certified, courses on the design and installation of plumbing and heating systems. Dedicated training on the cladding of roofs and facades with copper rolled products offers opportunities to learn more about working techniques, regulations and professional standards. All activities are conducted by experienced trainers with in-depth knowledge of the best solutions in the various fields of application.

## **BiG Academy**

BiG Academy is a new Management Academy conceived and managed by ACSI, the Association for Industrial Culture and Development founded in 2020 by five major international companies operating in Tuscany: KME, Baker Hughes, El.En Group, Leonardo and Thales together with the University of Florence.

The objective of ACSI is to shape a cultural and professional experience in the field of business management and the professional development of personnel in managerial roles and positions, with a view to high and continuous training, through the contribution of the most important companies and public and private entities in the area. ACSI is therefore a synergy and network project, a new and innovative reference point for the growth and development of aspiring managers, operating in particular in the energy, mechanics, optics, electronics and information technology sectors and in the supply chains connected to these, with the aim of providing important support to the local entrepreneurial fabric in strengthening its ability to respond to today's economic and industrial challenges.



5.7 Corporate Welfare

On the basis of the provisions of collective labour agreements and benefits provided by Group companies, employees may take advantage of services that supplement public welfare systems in the areas of health care, accident insurance, family expenses, company canteens and transport. Employees can also take parental leave under the terms provided for by law and by the collective labour agreement. For more detailed information, please refer to the sustainability reports of the individual KME Group companies.

BENEFITS/COUNTRY	ITALY	GERMANY	HOLLAND
Company canteen	•	•	•
Health Care-Injuries	•	•	
Benevolent Fund	٠	•	•
Family expenditure support (Welfare Plans)	٠		
Transport	•	•	

### **Benevolent fund**

"Benevolent fund and Concierge Service" is the name of the initiative promoted to support those in need, both in the individuation of the most suitable medical facilities to deal with pathologies and in the operational management of diagnostic visits, with the aim of providing not only economic but also organisational support. Access to the service is aimed at all KME Group employees and their families, to support them from several points of view: the need to start or continue a diagnostic or treatment pathway with significant costs; identification of the most effective medical pathway with respect to the pathology detected or potential; serious, chronic or rare pathologies, both recognised and potential.





KME Goup adopts sustainability criteria in the organisation of its business processes, as already described in Chapter 2 of this report. Corporate guidelines define binding standards for all companies operating within the Group. When selecting suppliers, criteria are adopted that qualify the potential partner on an organisational, environmental and social level. For the supply of products and services, environmental management system certifications (ISO 14001 or EMAS), safety management system certifications (BS OHSAS 18001), quality system certifications (ISO 9001) are preferred, although not binding.

With regard to the supply of metals, given the peculiarities of raw materials, purchases are made according to market availability and making extensive use of secondary raw materials (scrap). For the supply of energy, national suppliers are generally used, with preference given to those who declare a higher component of production from renewable sources. For the procurement of other goods and services, preference is given to local suppliers wherever possible, according to quality/price ratio criteria.

The following table shows the percentages of local (i.e. from within the country) supplies for the most significant production sites.

SUPPLIES (euro)				GERMANY			
	KME Italy	SCT	KME Srl	KME Germany	KME Stolberg	KME Mansfeld	KM Copper Bars
Local	191,072,525	19,338,691	6,148,327	307,069,222	8,380,954	236,387,970	9,858,029
%	73%	37%	38%	50%	52%	47%	97%
More	70,854,990	32,612,473	10,104,266	310,356,964	7,871,639	269,183,272	336,835
Total	261,927,515	52,001,164	16,252,593	617,426,186	16,252,593	505,571,242	10,194,864

In the procurement of raw materials, KME does not use minerals from regions with armed conflicts. Due to the complex supply chain and multiple metal transformation processes, KME - aware that it is not possible in every case to fully trace the materials procured, especially with regard to recycled materials - considers participation in EICC-GesiConfict-Free (an initiative of the Electronic Industry Citizenship Coalition and Global e-Sustainability) a prerequisite when selecting new suppliers.

## Responsibility in the supply chain Target 100%

KME wants to further consolidate the principle of sustainability throughout the value chain.

By 2030, 100 per cent of spending on relevant supplies will have to be made with certified or otherwise verified sustainable suppliers.

## 6/Social responsibility and the third sector



### Social responsibility and the third sector

## 6.1 Social Responsibility

Throughout its history, KME has progressively broadened and intensified its commitment to social responsibility. Starting with the employees, it took care of their families, then the communities that housed the factories, up to a series of more recent initiatives through the creation of the Dynamo System: thanks to its launch and development KME Group has made its social commitment to the 'enlarged' community more concrete, dealing with children with serious illnesses and their families, training and counselling on issues of common good.

### The main stages of a long commitment

1930-1940	Sport for children Medical screening Recreational activities Groceries and cloths for employees School	2007	Recreational therapy for children with serious illnesses and their families
1960s-80s	The idea of Social Valley was born: infrastructure and town planning works, artistic restoration, sports activities, environmental conservation	2011	Training of people and professionals on caring and the common good
2006	Start of the Dynamo Camp project	2018	Nature Conservation and Scientific Research

KME's social responsibility **activities** can be grouped into two categories: internal **activities** and external **activities**.

#### **Internal activities**

This category includes actions aimed at supporting the improvement of the living conditions of employees and their families, and more generally of people directly related to the Group's activities.

#### Services for employees and their families

- Welfare
- Supplementary health insurance
- Insurance for off-the-job accidents
- Transport
- Benevolent fund
- Vocational training

### Vocational Training

#### ITALY

KME is a supporting partner of the School of Business Sciences and Industrial Technology in Florence (SSATI) and funds two days of theoretical and practical training at Dynamo Camp each year. 95% of the graduates find a job within a few weeks of finishing the course.

#### **GERMANY**

For more than 40 years, KME Germany has run an apprenticeship training programme in partnership with the Chamber of Commerce. The programme is aimed at students from vocational schools in the region, who are given the opportunity to become employees of KME by entering an apprenticeship programme lasting about three years. The apprenticeship is unpaid, as it is part of the school's alternation school-to-work programme. There are 40 students selected each year. The average employment rate at the end of each year is 80%. Nine employees of KME Germany are dedicated to the project.

#### **External activities**

#### **Relationship with local communities**

This category includes actions aimed at supporting social development and improving the living conditions of people or environments outside the company. Thanks also to their long history, the KME Group companies that manage industrial plants have a long-standing and deep-rooted relationship with the territory in which they operate. It is also for this reason that they operate in the knowledge that their activities contribute to the development of the territory in which they operate and can offer an important support to the wellbeing of local communities, including through the support of social initiatives, cultural and sporting activities, and the construction of infrastructural works.

#### Interventions for local communities

- Urban and infrastructure works
- Support for sporting activities
- Support for artistic and restoration activities
- Vocational Training

### **Public Works**

KME has supported the realisation of public works for the benefit of the entire community, either by bearing the costs directly or, on other occasions, by 'lending' its employees to municipalities. Some examples:

- Fornaci di Barga: works to upgrade the local road system, construction of the existing aqueduct, donation of land to the curia, judo school, municipal car park;
- Florence: synagogue

## Art

Since the 1960s, the SMI Research Centre (today KME) has developed outstanding expertise in the analysis of metallurgical structures. Those skills have also been made available for the protection and enhancement of cultural and artistic heritage. Some examples:

- Riace Bronzes
- Lupa Capitolina
- Brandenburg Gate (Berlin)
- Equestrian statue of Cosimo I (Florence)
- Dancing Satyr (Mazara del Vallo)

### **KME** new Partner of **MAXXI**

In December 2023, MAXXI (National Museum of 21st Century Arts) announced a partnership with KME. Inaugurated in 2010 and managed by the Foundation of the same name established by the Ministry of Culture, MAXXI is one of the most important museum centres dedicated to contemporary art. Located in Rome in the building designed by Zaha Hadid, it houses MAXXI Architettura (which also includes a section devoted to photography and a bibliomediateca) and MAXXI Arte, which aims to highlight the most recent Italian and international artistic production.

"We are inaugurating a partnership with Enzo Manes's KME," said MAXXI President Alessandro Giuli in presenting the collaboration project, "who in addition to being an entrepreneur is a man of great culture and is the person who perhaps today best represents the lesson of Adriano Olivetti on the revolutionary virtue of culture capable of awakening civic and social consciences. And so it is logical that the person who created not only KME but also such an important experience in the service of society as Dynamo Camp should become a key partner with the patronage of a museum gallery".



# **6.2** The Dynamo system

A milestone of further commitment to the community was the creation, in 2003, of the Dynamo Foundation Philanthropy Engine, with the aim of supporting the design and development of organisations addressing social problems such as education, health, social services and the environment, while creating new employment. Three main projects have been developed in 20 years: Dynamo Camp, Dynamo Academy and Oasi Dynamo (later merged into Natural Capital).



#### **Dynamo Camp**

#### Mission

Founded in 2006, Dynamo Camp (first an Association, now a Foundation) is a third sector organisation whose mission is to guarantee the right to happiness in line with the concept of 'quality of life' sanctioned by the World Health Organisation. For 17 years, it has been involved in providing moments of holiday, play, light-heartedness and sharing for children and young people with serious and chronic illnesses, neurodevelopmental disorders and disability conditions, as well as their families.

It is based in Limestre (Pistoia), in an oasis of over 900 hectares, and is part of the Serious Fun Children's Network, an association founded in 1988 by Paul Newman, active worldwide.

It is complex to quantify the number of beneficiaries targeted by the Foundation: data from the Ministry of Education, Universities and Research, relating to the 2020-2021 school year, indicate 304,000 pupils with disabilities, while the annual diagnoses of neoplasms in the 0-19 age group are 1,400, with a cure rate of 80% (2016-2020 data, AIRC). These are minors who risk losing their serenity and carefreeness, with repercussions on their growth path and the entire family unit. They are subjected to often invasive therapies and long stays in hospital, they face fear, fatigue and all the side effects, with considerable limits in socialising with their peers. For them, Dynamo Camp represents an opportunity to be 'simply children': an experience of leisure and fun in a natural and protected environment, in which.

- Thanks to medical assistance and constant supervision by qualified personnel - they can safely experience a large number of activities, both playful and expressive, sharing them with peers with similar experiences. The possibility of discovering one's own abilities in a context of fun and relationships contributes to strengthening self-confidence, with real and long-term benefits in dealing with pathology and the pathway to growth. Over the years, Dynamo Camp has learnt to welcome an increasing number of children with complex pathologies and specific medical needs.

#### Activities

Recreational Therapy programmes, the scientific value basis of all the activities developed by Dynamo, are offered free of charge to children and young people aged 6 to 17, their families and siblings. The activities take place at the Dynamo Camp facility in Limestre, with:

- programmes for campers unaccompanied by parents only (children's sessions and teenage sessions, also with an international component);
- programmes for the whole family (Family Sessions);
- programmes for healthy siblings (Siblings);

Some summer family sessions take place at external accommodation facilities that generously provide space and services (Riva degli Etruschi, Jesolo, Brindisi and Misurina).

Moreover, with the Dynamo Programmes, activities are offered in hospitals, pathology associations and foster homes in the main cities throughout the year. Finally, with the City Camps Dynamo has begun to respond to needs directly on the ground, reaching children and young people, particularly those suffering from more complex pathologies, in their cities, with summer day camps and, in Milan, afternoons of play and recreation throughout the year.



### **Dynamo Camp** 2007-2023

The Dynamo Camp Foundation is financially supported by the generosity of private individuals and companies. Social, environmental and economic performance is reported, based on the GRI 2021 Standards, in the Mission Report, published on the website.

#### Medium- to long-term impact

In 2021, SeriousFun Children's Network collaborated with the American Institutes for Research® (AIR®) to conduct a unique study that examined the influence and lasting impact of holiday participation for former 'campers' (alumni) from around the world. The study investigated: the personal, social and health effects of these Camp experiences; the elements of Camps and camper experiences that influence these outcomes; and whether the outcomes were influenced by frequency of participation or the demographic characteristics of the participants.

Dynamo Camp, the only Italian affiliated organisation, took part in this study, together with camps in France, Hungary, Ireland, Israel, Japan, the United Kingdom and the United States.

The data of the study, the most extensive ever carried out by SeriousFun, covering more than 2,200 children and young people aged between 17 and 30, were collected between January and March 2021 by means of online surveys administered to pupils, which gave a reaccount of the "outcomes" observed



in their lives and how these in their perception are attributable to participation in SeriousFun camps. More than 80% of the alumni reported that Serious Fun had played a key role in producing positive and lasting effects in their daily lives as teenagers and young adults, including:

- Desire to try new experiences (90% of respondents)
- Appreciation of the value of diversity (88%)
- Strengthened sense of personal identity (86%)
- Ability to feel empathy and compassion (86%)
- Self-confidence (85%) Perseverance (84%)
- Aptitude for friendship (82%)



2023

+16% +20% experiences

people

reached





#### **Dynamo Academy**

Dynamo Academy Impresa Sociale was set up to share the experience and know-how acquired through the development of Dynamo Camp, tools at the basis of the experiential learning, research, consultancy and training services. For almost 15 years, it has been supporting young people, students, managers, companies, other organisations and professionals in the pursuit of the 'Common Good' and in keeping abreast of sustainability practices and trends.

The Dynamo Method, an intellectual property of Dynamo Academy, is the inspiring principle of all training programmes: ad hoc proposals and already structured courses, also in collaboration with universities and training institutes and high schools. The analysis of inspiring national and international best practices is always at the basis of every teaching programme. There are residential or one-day training proposals and a schedule designed for online only. The consultancy, which builds on an important research and knowledge development activity conducted in partnership with CECP\*, Chief Executives for Corporate Purpose, a US organisation also founded by Paul Newman, supports companies and other organisations in developing strategies and concrete actions to generate social inclusion and impact.

#### The offer includes:

- executive training
- sustainability education for children and young people
- research and development
- experiential learning activities for companies
- consultancy services for social entrepreneurs and companies
- sharing of best practices, through the annual Business for the Common Good conference.

\*Since 2016 Dynamo Academy has been the only Italian partner of the Global Exchange of Chief Executives for the Common Purpose (CECP). This US-based non-profit organisation promotes responsible, purpose-driven business with a 'coalition' of CEOs from 200 leading companies worldwide.

#### DYNAMO GROUP EMPLOYMENT

EMPLOYEES	152
SEASONAL STAFF	282
MEDICAL STAFF / NURSES	75
RESOURCES THROUGH SERVICE CO-OPS	23
CONTRIBUTORS/STEWARDS	43
TOTAL	575

DYNAMO GROUP SUPPLIERS						
TOTAL SUPPLIER INPUT INCLUDING INVESTMENTS 2023	17 MLN EURO	of whic	h 62% in the local area			



# > 7/Sustainable Value Creation

### Sustainable value creation

The economic, financial and balance sheet data are published in the accounting documents and financial statements, which are prepared in accordance with the law, and reference is made to them for all detailed information. The Non-Financial Statement highlights some particularly significant economic performance and information, such as the economic value generated and distributed to stakeholders. This chapter also contains reporting related to the European Union regulation on taxonomy



The KME Group's growth strategy aims at the creation of solid and sustainable value in economic and financial, social and environmental terms, built on the trust of its stakeholders and based on the values set out in the Code of Ethics. Before embarking on the strategy of focusing on rolled products, the KME Group consisted of almost 30 production sites (including plants and service centres) and 6 industrial product macros. Although it enjoyed good health, the system was not fully consistent with the potential results: for this reason, it was decided to focus on its core competencies - also by rationalising the number of plants and product lines - in order to maximise its competitive advantage in copper metallurgy, which represents the core business for the company's development and its future.





Market sales of the copper companies included in the reporting scope amounted to EUR 1,857,973 thousand in 2023. 83.1% related to European Union countries (Germany 32.8%, Italy 15.6%, France 9.5%, Spain 1.8%, the Netherlands 1.6%, other EU countries 21.8%), while 16.9% related to non-EU countries.

SALES copper sector	ITALY	GERMANY	HOLLAND	FRANCE	SPAIN	OTHER EU COUN- TRIES	OTHER NON-EU COUN- TRIES	TOTAL
<b>TURNOVER</b> (euro/000)	289,710	608,903	29,249	177,556	34,001	404,387	314,167	1,857,973
TONS	39,445	71,448	2,668	13,101	3,950	12,719	53,390	196,721

### SALES



7.3 Economic and financial performance



## 7.4 Economic value generated and distributed

The activities of the KME Group not only represent a profitability factor for the group itself, but also generate economic benefits for the main stakeholders: suppliers (value of supplies), employees (direct and indirect remuneration), public administration (taxation), lenders (financial charges), shareholders (any distributed profits), local communities and the third sector (donations, social and cultural activities, third sector, etc.). The information on the economic value generated and distributed, shown below, therefore provides an indication of how KME Group has created wealth for its stakeholders.

ECONOMIC VALUE GENERATED (revenue from sales and other income)	2023
euro/000	1,921,228
DISTRIBUTED ECONOMIC VALUE (euro/000)	2023
EMPLOYEES	234,083
SHAREHOLDERS	-
FINANCERS	85,649
PUBLIC ADMINISTRATION	2,149
COMMUNITY	1,447
SUPPLIERS	1,580,596
TOTAL	1,903,924

UNDISTRIBUTED ECONOMIC VALUE	2023
euro/000	17,304

## 7.5 Taxation

Legality and transparency - values recalled within the Code of Ethics - are a benchmark in the management of tax activities by the KME Group.

#### LEGALITY

Conduct geared towards compliance with the tax regulations of the countries in which the Group operates **TRANSPARENCY** 

Maximum cooperation with the competent tax authoritiese

Consistent with these values shared by all the companies belonging to the KME Group - and with the awareness that taxes are important sources of public revenue and are essential for the macroeconomic stability of any country - the tax approach aims to ensure the correct determination and settlement of taxes due by law, preventing the risk of incurring the violation of tax regulations or the abuse of the principles and purposes of the tax system. Responsibility for the Group's tax-related activities is assigned to the Administration and Tax function, which also includes a team specifically dedicated to tax issues. The administration and tax function is headed by Mr. Marco Miniati, chief administration officer and member of the board of directors of KME SE. In carrying out the various activities for the different geographic areas where the Group operates, the tax team avails itself of the collaboration of specialists in the sector, depending on the subject matter in question, or as experts to review the activities of the office. In all cases, these are consultants of high standing, belonging to sector companies (i.e. Big Four) or experts in the law and tax system of the country under analysis.

KME Group is committed to applying the tax regulations of the countries in which it operates, ensuring that the spirit and purpose of the regulations are respected, and adopting a reasonable and responsible interpretation of the regulations in force. Group companies may benefit, in a legitimate and transparent manner, from incentives and tax benefits provided for by the regulations in force in individual countries. KME Group is aware that, through the development of its business, it has the opportunity to contribute to the tax revenues of the countries in which it operates, thus also supporting the economic and social development of the territories in which its establishments are located; it is also aware of the importance that these financial flows have for the collective wellbeing and for the Welfare State system of the countries in which it operates, and also for this reason it adopts a conduct that is consistent with the principles of legality, correctness and transparency.

Below is the specific reporting information for the copper sector, country by country, for the year 2023.

TAXES* (euro/000)	ITALY	GERMANY	HOLLAND	FRANCE	SPAIN	OTHER EU COUN- TRIES	OTHER NON-EU COUN- TRIES	TOTAL
Income Taxes	-7,384	-435	5,259	-56	0	-240	-327	-3,183
Other Taxes	-1,630	-1,278	-49	-732	-1	0	-17	-3,707

\*Income taxes present the net balance of income taxes for the year and include current taxes, deferred tax assets and deferred tax liabilities. The positive value of Holland is attributable to the recognition of deferred tax assets generated by the parent company. The item 'other taxes' includes taxes and other tax charges not related to operating income (i.e. property taxes).



Research and development activities are of fundamental importance to the KME Group to ensure innovation, efficiency and quality. Research is aimed in particular at developing innovative materials, but also at the innovation of production processes and applications of copper and copper alloy products. With 49 registered patents and 64 trademarks, research and development activities have top priority for KME. A special coordination unit allows these activities to be developed in the best possible way, avoiding the overlapping of projects between different research centres and, at the same time, optimising the use of company expertise. The laboratories, where qualified teams of scientists and engineers work, are well equipped and certified in accordance with IATF 16949. In the test benches, alloys and casting techniques can be carried out in situ on a production scale and with in-depth scientific expertise. Experimental and test castings provide fast and effective development results. All necessary tests and analyses can be carried out: damage and material analyses, corrosion research, material tests (to determine mechanical and physical properties) and chemical analyses.

KME runs cooperation projects with companies, universities and research centres worldwide and actively supports national and international research projects. Furthermore, it participates in the standardisation of products and processes and is committed to supporting training.

#### Focal points of research activities

- Material treatment and recycling
- Metallurgy and casting technology
- Production technology (rolling, extrusion, forging, drawing, stamping, machining, painting, joint preparation)
- Simulation procedure
- Materials Science
- Surface technology
- Material tests
- Procedural development
- Application techniques

aC

KME has launched SaCup, a range of copper and copper alloy products designed to enhance the metal's antimicrobial properties, making public or highly frequented places safer. The SaCup line includes finished and semi-finished products that can be applied in various environments to neutralise viruses and bacteria that are deposited on the surfaces in greatest contact (handles, plates, handrails, floor stands).

Thanks to its intrinsic properties, copper has a permanent germicidal effect that activates in very little time to remove viruses, bacteria and fungi such as E. Coli, influenza, MRSA, Rotavirus, Salmonella, Campylobacter, Legionella and Coronavirus (including SARS- CoV2). It is estimated that 80 per cent of infectious diseases are transmitted through contact with surfaces. SaCup products are therefore ideal in sectors such as hospitals, transport, retail, catering, commerce and schools to reduce the likelihood of contagion. Scientific evidence based on numerous internationally recognised studies leads to the identification of a broad consensus on the antimicrobial properties of copper; moreover, these unique characteristics persist over time. Studies have shown that copper reduces exposure to clinically relevant pathogens that are often associated with nosocomial infections. The Institute of Virology at the University of Pisa has shown that the viral load of SARS-CoV2 on copper surfaces is knocked down by 90% in 10 minutes and neutralised by 100% in 60 minutes. This property also holds true for copper alloys, where an 85% reduction in charge is recorded after 10 minutes and 100% after 60 minutes.

### **Cell** Connectors

KME has developed an innovative, sustainable and efficient technology for connections in energy storage systems. This is a key technology for electric vehicles. KME's cell connectors have already been tested according to LV 214 (Test Specification for German Automotive OEM Connectors) with excellent results. The connectors consist of two different alloys. Thanks to the production process, it is also a very resource-efficient solution that allows process waste to be fed back into the recycling loop. Due to its versatile and attractive properties such as high mechanical strength, good forming behaviour and excellent electrical conductivity, copper is one of the most widely used base metals in innovative applications such as e-mobility. The KME product range also includes a broad spectrum of high-tech copper alloys for this application area.

### 5G Technological solutions

5G is essential for applications requiring high data rates, such as artificial intelligence (AI), smart home applications, and autonomous driving. This requires special, high-performance solutions in terms of materials. KME produces perforated strips for the production of radiant cables used in the 5G network. Radiant cables are basically coaxial cables in which slits are perforated in the outer conductor, allowing controlled amounts of electromagnetic energy to be radiated and absorbed by the cable.





KME Group considered the provisions of the so-called European 'Taxonomy' as regulated by EU Regulation 2020/582, Delegated Regulation 2021/2139 and Regulation 2023/2486. EU Regulation 2020/582 'on the establishment of a framework for sustainable investment and amending Regulation (EU) 2019/2088' established the criteria for determining whether an economic activity can be considered as environmentally sustainable in order to identify the degree of sustainability of an investment. The regulation applies, inter alia, to companies subject to the obligation to publish a non-financial statement or a consolidated non-financial statement pursuant to Article 19a or Article 29a, respectively, of Directive 2013/34/EU of the European Parliament and of the Council.

As regulated in Article 8 of the EU Regulation 2020/582, non-financial companies shall report:

- a) the share of their turnover coming from products or services associated with economic activities considered environmentally sustainable within the meaning of Articles 3 and 9
- b) the share of their capital expenditure and the share of their operating expenditure related to assets or processes associated with economic activities that are considered environmentally sustainable in accordance with Articles 3 and 9.

This procedure, known as 'Taxonomy', applies to six environmental objectives:

- climate change mitigation;
- adaptation to climate change;
- sustainable use and protection of water and marine resources;
- the transition to a circular economy;
- · the prevention and reduction of pollution;
- protection and restoration of biodiversity and ecosystems.

In 2023, the European Commission completed the publication of the delegated regulations (Regulation 2023/2486) on all six environmental objectives, after the one on "technical screening criteria for determining under which conditions an economic activity can be considered to contribute substantially to climate change mitigation or adaptation and if it does not cause significant damage to any other environmental objective" had already been issued earlier. Therefore, the disclosure regarding the European taxonomy for the fiscal year 2023 covers all environmental objectives in the EU Regulation 2020/582. In accordance with this Regulation, the KME Group discloses, for the fiscal year 2023, the proportion of economic activities eligible ("eligible" and "not-eligible") and aligned ("aligned" and "not aligned") to the taxonomy in total turnover, capex and opex.

#### Application of taxonomy criteria to KME Group

On the basis of the criteria defined by the delegated regulations, within the business perimeter considered, the core activities of the copper production and mechanical processing sector are not eligible, as they are not covered by the regulations issued to date.

According to the Nace code, only three companies would be eligible, in the Nace sector 68.2 "rental and management of owned or leased real estate". Of these, KME Grundstücksgesellschaft SE & Co. KG is not eligible because its activity is limited to the management of capital properties within the Group.

On the other hand, the company "Immobiliare Pictea" carries out eligible activities according to the criteria set out in the EU Taxonomy, in particular with regard to Delegated Regulation 2021/2139 concerning climate change mitigation (Annex 1) and climate change adaptation (Annex 2). The company "Natural Capital Italia" carries out activities eligible under Regulation 2023/2486 relating to the objective "protection and restoration of biodiversity and ecosystems", whereas its activities do not fall under those described in Regulation 2021/2134. As for "Natural Capital Italia", the activities in the area of reforestation and management of oases and reserves, in particular of the Oasi Dynamo, still of modest economic significance, were mainly conducted by companies outside the scope of consolidation. Therefore, Opex and Capex are not significant and consequently are not quantified.

The **admissible turnover** amounted to **EUR 4.347 million** (of which EUR 3.965 million was attributable to Immobiliare Pictea and EUR 0.382 million to Natural Capital Italia), corresponding to 0.231% of the KME Group's turnover (EUR 4.347 million Net Turnover Immobiliare Pictea + Natural Capital Italia / EUR 1,880.532 million Net Turnover KME Group).

The **admissible Capex** is equal to **2.536 M€** (deriving for 2.539 M€ from Immobiliare Pictea srl and for 0.177 M€ from Natural Capital Italia), corresponding to 7.504% of the Group's Capex (2.536 M€ Capex Immobiliare Pictea + Natural capital Italia / 33.797 M€ Capex KME Group), while the admissible Opex is equal to 5.964 M€ (deriving for 5.23 M€ from Immobiliare Pictea srl and for 0.341 M€ from Capital Natural Italia) corresponding to 2.258%XX% of the Group's Opex (5.964 M€ Immobiliare Pictea + Natural Capital Italia Opex / 264.156 M€ KME Group Opex).

The analysis carried out on the activities of the Immobiliare Pictea with respect to the technical screening criteria did not find the presence of aligned interventions, i.e. compliant with the technical screening criteria both with regard to the annexation annex 1 and annex 2, although operation and maintenance work aimed at energy efficiency in buildings has been carried out. In particular, there are no buildings constructed before 31 December 2020 with class A energy performance. The analysis carried out on the activities of Immobiliare Pictea did not find the presence of activities that cause significant damage to other environmental objectives. The analysis performed on the activities of the Pictea real estate showed that these activities fully comply with the minimum safeguard criteria.

The analysis carried out on the activities of Natural Capital Italia, in relation to the objective of restoration and protection of biodiversity, found that it was not yet fully aligned with the criteria of the technical screening, particularly with regard to the requirements of external audit and certification of the guarantee of the permanence of benefits. The analysis carried out on the activities of Natural Capital Italia did not find the presence of activities that cause significant damage to other environmental objectives. The analysis performed on Natural Capital Italia's activities showed that these activities fully comply with the minimum safeguard criteria.

#### **ECONOMIC ACTIVITIES (TURNOVER)**

values in millions € Economic activities (Turnover)			Substar	ntial contr	ribution			DN	ISH				
	Activity code	Absolute turnover	Share of turnover	Climate change mitigation	Climate change adaptation	Biodiversity protection	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards
		€	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N
A. Activities eligible for taxonomy													
A.1 Taxonomy-aligned activities													
Turnover from aligned activities A.1		0.000%	0.00%	0.00%	0.00%	0.00%							
A.2 Activities eligible for taxonomy but not alig	ned												
Pictea Immobiliare	CCM 7.7; CCA 7.7	3.965	0.211%	0.21%	0.21%		S	S	S	S	S	S	S
Natural Capital	BIO 1.1.	0.382	0.020%			0.02%	S	S	S	S	S	S	S
Turnover total activity A.2		4.347	0.231%										
Total (A.1+A.2)		4.347	0.231%										
B. Activities not eligible for taxonomy			-										
Turnover from activities not eligible for taxonomy	r (B)	1876.185	99.8%										
Total (A+B)		1880.532	100%										

#### ECONOMIC ACTIVITIES (CAPEX)

values in millions € Economic Activities (Capex)				Substar	ntial conti	ibution	on DNSH						
	Activity code	Absolute Capex	Share of Capex	Climate change mitigation	Climate change adaptation	Biodiversity protection	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum Safeguards
		€	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N
A. Activities eligible for taxonomy													
A.1 Taxonomy-aligned activities													
Capex aligned activities A.1		0,000	0,00%	0,00%	0,00%	0,00%							
A.2 Activities eligible for taxonomy but not alig	ned												
Pictea Real Estate	CCM 7.7; CCA 7.7	2.359	6.980%	6.98.	6.98%		S	S	S	S	S	S	S
Natural Capital	BIO 1.1.	0.177	0.524%			0,52%	S	S	S	S	S	S	S
Capex total assets A.2		2.536	7.504%										
Total (A.1+A.2)		2.536	7.504%										
B. Activities not eligible for taxonomy													
Capex of assets not eligible for Taxonomy (B)		31.261	92.5%										
Total (A+B)		33.797	100%										

#### ECONOMIC ACTIVITIES (OPEX)

values in millions € Economic Activities (Capex)				Contributo sostanziale			DNSH						
	Activity code	Absolute opex	Share of Opex	Climate change mitigation	Climate change adaptation	Biodiversity protection	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum Safeguards
		€	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N
A. Activities eligible for taxonomy													
A.1 Taxonomy-aligned activities													
Opex aligned activities A.1		0.000	0.00%	0.00%	0.00%	0.00%							
A.2 Activities eligible for taxonomy but not alig	ned												
Pictea Real Estate	CCM 7.7; CCA 7.7	5.623	2.129%	2.13%	2.13%		S	S	S	S	S	S	S
Natural Capital	BIO 1.1.	0.341	0.129%			0.13%	S	S	S	S	S	S	S
Opex total assets A.2		5.964	2.258%										
Total (A.1+A.2)		5.964	2.258%										
B. Activities not eligible for taxonomy													
Opex of assets not eligible for taxonomy (B)		258.192	97.7%										
Total (A+B)		264.156	100%										



### Appendix

### 8.1 Methodological Notes

#### Previous sustainability reports

- Some KME Group companies operating production plants and service centres in the copper sector have undertaken sustainability reporting on a voluntary basis since 2018.
- For the reporting year 2021, again on a voluntary basis, a first sustainability report was published in aggregate form including the following companies: KME Italy, EM Moulds, KME Rolled Spain, KME Spain, Ilnor, KME Mansfeld, KME Germany, KME Specials Products, Serravalle Copper Tubes, KMD Connectors Stolberg Ger- many.
- For the financial year 2022, the KME Group's sustainability report was published, including the consolidated non-financial statement pursuant to Legislative Decree 254/2016.

### Sustainability Report and DNF of KME Group SpA concerning the year 2023

- This Sustainability Report of KME Group SpA, also prepared in order to fulfil the obligations set forth in Legislative Decree 254/2016, includes the Consolidated Non-Financial Statement.
- This Declaration constitutes a separate report from the 2023 Budget, based on one of the options provided for in Article 5 of Legislative Decree 254/2016.
- Further non-financial information can be found in the Annual Report 2023 and the Corporate Governance and Share Ownership Report, as well as in the Remuneration Report, to which reference is also made for further details on Group governance.
- The periodicity of the publication of the Non-Financial Declaration is set at an annual frequency.

#### **Materiality analysis**

The reporting contents were prepared from the results of the materiality analysis carried out in 2022, confirmed for 2023. This analysis made it possible to identify the mate- rial, i.e. most relevant aspects, taking into account the issues mentioned in Legislative Decree 254/2016.

### Methodological Notes GRI 301-1, 301-2, 302-1, 305-1, 305-2, 306-3

#### **GRI 301-1 Materials used**

The materials database includes 62 different materials. The unit of measurement is reported in weight (t) by applying appropriate technical conversion factors from volumes or units where necessary.

Data are aggregated into 'non-renewable materials' (consisting of primary metals and alloys, scrap metal, semi-finished metal products, non-metal materials) and 'renewable materials' (separated into wood, paper and other). Materials do not include fuels used as energy sources (but do include combustible materials used in processes, but not for energy purposes).

#### GRI 301-2 Recycled materials used

The recycling input consists of scrap metal, semi-finished products of secondary origin, recycled non-metallic materials (recycled wood and paper, recycled oils and fats).

Semi-finished products have a variable secondary content. The allocation of semi-finished products between primary semi-finished products ("produced with new metal") and secondary semi-finished products ("produced with metal scraps") is based on the known secondary content or on the origin of the semi-finished product, applying in the latter case for semi-finished products from the KME Group a secondary rate corresponding to the average recycling input rate on the metals processed in the plant of origin. In the absence of information on the originating producer, a recycling rate of 0% was conservatively assumed. The percentage of secondary semi-finished products on the total semi-finished products ranges from 0% in Osnabruck and Mansfeld to 68% in Stolberg and 77% in Service Centre Italy.

The indicator "% of recycled input materials used to manufacture the organisation's primary products and services" is calculated as "Total acquired recycled input materials used (metals and non metals) / Total acquired input materials used (Primary, recycled, semi-finished; metals and non metals)".

The indicator '% of metals recycled input materials used to manufacture the organisation's primary products and services' is calculated as 'Recycled metals acquired (scraps and secondary semifinished)/Total metals acquired (primary, scraps, semifinished)!

The indicator "% of total recycled metals input materials (includes internal recycling) on processed metals used to manufacture the organisation's primary products" includes in the calculation the quantities of material recycled inter- nally and then processed. The indicator is calculated as "Total recycled metals (acquired + internal) / total processed metals (acquired + internal)".

#### **GRI 302-1 Energy consumption**

The quantities of energy consumption provided by the plants were converted to GJ using the physical conversion factors or conversion factors given in the table below and derived from the indicated sources.

The total energy consumption value is the sum in GJ of all energy sources - renewable and non-renewable - used for on-site production (scope 1) or acquired as electricity (scope 2).

The consumption of petrol (gasoline) and diesel is split between instrumental use and mixed use. It is normally assumed that 100 per cent of instrumental use and 70 per cent of mixed use fall within business consumption under scope 1.

Electricity consumption was taken into account:

- "from certified renewable energy sources' in the presence of a certificate of origin;
- "from supplier (fossil or mixed fuels) with declared emissions data by supplier" in the presence of a specific CO<sub>2</sub> emission value released by the supplier;
- "from supplier (fossil or mixed fuels) without declared emissions data".

Energy Source	Unit of measu- rement	Conversion	2023	Source
Electric Energy	kWh	GJ	0.00360	Constant
Natural gas	Smc	LD	0.03429	NIR: National Inventory Report 2023. Tab A6.1 (1)
Biomass (as charcoal)	t	GJ	29.52	EC, MRR Guidelines v.3 (2) and national
Biomass (as wood)	t	GJ	15.61378	standard parameter table (3)
Gasoline	I	kg	0.75000	Conventional fuel and biofuel specifications (All 1 MISE Decree 13.02.2013) (4)
	kg	٢Đ	0.04313	NIR: National Inventory Report 2023. Tab A6.2
Diesel	I	kg	0.84000	Conventional fuel and biofuel specifi- cations (All 1 MISE Decree 13.02.2013)
	kg	۲Ð	0.04285	NIR: National Inventory Report 2023. Tab A6.2
Extra light oil	I	kg	0.84000	As Gas Oil heating. Data from NIR: Na- tional Inventory Report 2023. Tab A6.2
	kg	LD	0.04287	As Gas Oil heating. Data from NIR: Na- tional Inventory Report 2023. Tab A6.2
GPL (Propano)	kg	GJ	0.045858	National standard parameter table

(1) https://emissioni.sina.isprambiente.it/wp-content/uploads/2023/04/NIR2023.pdf

(2) https://www.mase.gov.it/sites/default/files/archivio/allegati/emission\_trading/linea\_guida\_mrr\_n3\_it\_20121228.pdf

(3) https://www.ets.minambiente.it/Table of national standard parameters Coefficients used for the UNFCCC national inventory of CO2 emissions

(average of values for the years 2020-2022).

(4) https://dgsaie.mise.gov.it/pub/biocarburanti/DM\_13\_2\_2013.pdf

**GR 305-1 Direct greenhouse gas emissions (scope 1)** Direct emissions were calculated on the basis of specific emission factors for each fuel used. The emission factors shown in the table below are derived from the National Inventory Report 2023, tab a61 and tab A62. Biogenic emissions are reported separately and are based on the biomass-specific emission factors (charcoal and wood).

Energy Source	Unit of measurement	2023	Source
Natural Gas	tCO <sub>2</sub> /Smc	0.002006	NIR: National Inventory Report 2023. Tab A6.1
Extra light oil	tCO <sub>2</sub> /l	0.00266	As Gas Oil heating. Data from NIR: National Inventory Report 2023. Tab A6.2
Gasoline	tCO <sub>2</sub> /l	0.002364	NIR: National Inventory Report 2023. Tab A6.2
Diesel	tCO <sub>2</sub> /I	0.002646	NIR: National Inventory Report 2023. Tab A6.2
LPG (Propane)	tCO <sub>2</sub> /t	3.026	National standard parameter table
Biogenic Energy Source	Unit of measurement	2023	Source
Biomass (as Charcoal)	tCO <sub>2</sub> /t	3.3	ETS Report KME Mansfeld and EC, MRR Guidelines v.3
Biomass (as wood)	tCO2/t	1.75	EC, MRR Guidelines v.3



#### GRI 305 - 2 Indirect greenhouse gas emissions (scope 2)

Indirect emissions, from electricity consumption, are reported as location-based and market-based. Location-based emissions are calculated based on the emission factors for each European country's electricity generation for the year 2022 as made available by European Environment Agency (EEA, Greenhouse gas emission intensity of electricity generation in Europe, 24.10.2023). For UK, emission factors are based on Defra (2023), GHG gas reporting: conversion factors. For Hong Kong, emission factors from domestic production provided by Ember (https://ember-climate.org/data/data-tools/ data-explorer/) are used. Market-based emissions are calculated on the basis of the specific emissions yielded by the supplier (for the amount of electricity "from supplier (fossil or mixed fuels) with declared emissions data by supplier") or, in the absence thereof, the emission factors for the electricity residual mix (i.e. electricity production deducted from production with certificate of origin) as reported by AIB - European Residual Mixes 2023 (ver. May 2023), with data for 2022.

Energy Source	Unit of measurement	2023	2022	Source
Location Based - Italy	tCO <sub>2</sub> /kWh	0.00025	0.00024	EEA (2023), Greenhouse gas emission intensity of electricity generation in Europe (ver 24.10.2023) (1)
Market Based - Italy	tCO2/kWh	0.00046	0.00046	AIB, European Residual Mixes 2023 (may 2023) (2)
Location Based - Ger- many	tCO <sub>2</sub> /kWh	0.00037	0.00035	EEA (2023), Greenhouse gas emission intensity of electricity generation in Europe (ver 24.10.2023)
Market Based - Germany	tCO2/kWh	0.00068	0.00062	AIB - European Residual Mixes 2023 (Ver. may 2023)
Location Based - France	tCO <sub>2</sub> /kWh	0.00007	0.00006	EEA (2023), Greenhouse gas emission intensity of electricity generation in Europe (ver 24.10.2023)
Market Based - France	tCO2/kWh	0.00012	0.00005	AIB - European Residual Mixes 2023 (Ver. may 2023)
Location Based - Spain	tCO <sub>2</sub> /kWh	0.00021	0.00017	EEA (2023), Greenhouse gas emission intensity of electricity generation in Europe (ver 24.10.2023)
Market Based - Spain	tCO2/kWh	0.00028	0.00030	AIB - European Residual Mixes 2023 (Ver. may 2023)
Location Based - UK	tCO2/kWh	0.00021	0.00019	Defra (2023), GHG gas reporting: con- version factors (3)
Market Based - UK	tCO2/kWh	0.00037	0.00035	AIB - European Residual Mixes 2023 (Ver. may 2023)
Location Based - Slovakia	tCO <sub>2</sub> /kWh	0.00012	0.00012	EEA (2023), Greenhouse gas emission intensity of electricity generation in Europe (ver 24.10.2023)
Market Based - Slovakia	tCO2/kWh	0.00019	0.00018	AIB - European Residual Mixes 2023 (Ver. may 2023)
Location Based - Holland	tCO <sub>2</sub> /kWh	0.00032	0.00034	EEA (2023), Greenhouse gas emission intensity of electricity generation in Europe (ver 24.10.2023)
Market Based - Holland	tCO2/kWh	0.00044	0.00045	AIB - European Residual Mixes 2023 (Ver. may 2023)
Location Based – Hong Kong	tCO <sub>2</sub> /kWh	0.00073	0.00072	source Ember (value as of 2021) (4
Market Based - Hong Kong	tCO2/kWh	0.00073	0.00072	source Ember (value as at 2021)

(1) https://www.eea.europa.eu/en/analysis/indicators/greenhouse-gas-emission-intensity-of-1

(4) https://ember-climate.org/data/data-tools/data-explorer/

<sup>(2)</sup> https://www.aib-net.org/facts/european-residual-mix

<sup>(3)</sup> https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2023

#### GRI 306\_3 Waste generated

Waste generation is reported for the 20 groups of the EWC (European Waste Catalogue), distinguishing between hazardous and non-hazardous. Waste is reported for 14 of the 20 groups.

#### Waste sent for recovery

Waste subject to recovery operations (excluding energy recovery incineration) are reported for the 20 EWC groups and distinguished between hazardous and non-hazardous.

The management of these wastes, distinguished between hazardous and non-hazardous waste, is reported allocated between "preparation for re-use" (not present), "recycling, including composting and anaerobic digestion", "other recovery or unclassified operations". Other operations' includes R12 (exchange) and R13 (storage), but also other undefined recovery operations.

#### Waste sent for disposal

Waste subject to disposal operations are reported for the 20 groups of the EWC. The management of these wastes, distinguished between hazardous and non-hazardous, is reported allocated between "incineration with energy recovery", "incineration without energy recovery" (not reported), "landfill", "other disposal operations". The item 'other operations' includes chemical-physical treatment, biological treatment, reconditioning, preliminary storage.

#### Other methodological notes

- In order to provide a fair representation of performance and to ensure the reliability of the data, the use of estimates has been limited as much as possible. Where they exist, they are based on the best available methodologies and appropriately reported.
- Some data are rounded to the nearest unit: downwards if after the decimal point there is a value less than 50 or upwards if after the decimal point there is an amount greater than or equal to 50.
- The production figure of the companies included in the reporting boundary is to be understood as the quantity of products leaving the plants (output) during the year, while the figure for materials used refers to the quantity of materials entering (input) during the same period. The production figure may therefore include some quantities not actually produced during the year but already in stock; it can however be considered reliable, also for the purpose of measuring with sufficient approximation the efficiency in the use of resources, since the stock trend is substantially constant over time.
- The production figures refer to both market and intra-group sales; the total group sales figure refers to market sales (net of intra-group sales).
- In the plants of Fornaci di Barga and Osnabrück, together with the companies included in the perimeter of the consolidated financial statements (KME Italy and KME Germany), other companies not included in this perimeter (EM Moulds and KME Specials Products & Solutions) also operate.
- The reporting of air emissions from the various plants does not always include the same substances, both because of differences in national and/or regional regulations and because the emission monitoring and control plans prescribed by environmental authorisations differ depending on the production cycle and, consequently, the parameters deemed significant. For the purposes of correct reporting in this report, the plants to which the reported data refer are therefore indicated for each type of emission. The specific emissions per unit of product are, however, calculated in relation to the aggregate production volume of all plants and service centres.

#### External asseveration

In addition to the internal checks, the sustainability reporting was externally certified by Deloitte & Touche S.p.A.



GENERAL INFORMATION GRI 2: 2 General Disclosures version 2021			AMITTED	OMISSION			
GRI 2: 2: General Disclosures			OMITTED REQUIREMENTS	REASON	EXPLANATION		
General Disclosures							
	2-1 Organisational Details	24; 40					
	2-2 Entities included in the organisation's ustainability reporting	7-8					
	2-3 Reporting period, frequency and ontact point	102					
2	2-4 Restatements of information	46					
2	2-5 External Assurance						
2: B	2-6 Activities, Value Chain and Other Business Relationships	24					
2	2-7 Employees	73-74					
2	2-8 Non-employees	76					
2	2-9 Governance structure and composition	27-31					
	2-10 Nomination and selection of the highest governance body	30					
2	2-11 Chair of the highest governance body	29					
2 0'	2-12 Role of the highest governance body in overseeing the management of impacts	30-31					
2: m	2-13 Delegation of responsibility for managing impacts	30-31					
2 ir	2-14 Role of the Highest Governance Body n Sustainability Reporting	7					
GRI STANDARD	INFORMATIVE REPORT	LOCATION	OMISSION			N. OF STANDARD REF. SECTOR GRI	
---	---	---	-------------------------	--------	-------------	--------------------------------------	
			OMITTED REQUIREMENTS	REASON	EXPLANATION		
GENERAL INFORMATION							
GRI 2: General Disclosures version 2021	2-15 Conflicts of Interest	34					
	2-16 Communication of critical concerns	28					
	2-17 Collective knowledge of the highest governing body	28					
	2-18 Evaluation of the performance of the highest governance body	31					
	2-19 Remuneration policies	28					
	2-20 Process to determine remuneration	28					
	2-21 Annual total compensation ratio	72					
	2-22 Statement on sustainable development strategy	5					
	2-23 Policy commitments	33-36					
	2-24 Embedding policy commitments	33-36					
	2-25 Processes to remediate negative impacts	32					
	2-26 Mechanisms for seeking advice and raising concerns	32					
	2-27 Compliance with Laws and Regulations	During 2023, there were no cases of non-compliance with laws and regulations.					
	2-28 Membership associations	13					
GRI 2: General Disclosures version 2021	2-29 Approach to stakeholder engagement	13					
	2-30 Collective bargaining agreements	72					

GRI STANDARD	INFORMATIVE REPORT	LOCATION	OMISSION			N. OF STANDARD REF. SECTOR GRI
			OMITTED REQUIREMENTS	REASON	EXPLANATION	
MATERIAL THEMES						
GRI 3: Themes Materials version 2021	3-1 Process to determine material topics	13-14				
	3-2 List of material topics	14				
GRI 201: Economic performance	2 - 2016					
GRI 3: Themes Materials version 2021	3-3 Management of material topics	94				
GRI 201: Economic performance 2016	GRI 201-1: Direct economic value generated and distributed	94				
GRI 205: Anti-Corruption - 2016	5					
GRI 3: Themes Materials version 2021	3-3 Management of material topics	34-35				
GRI 205: Anticorruption 2016	205-3 Confirmed incidents of corruption and actions taken	During 2023, there were no incidents of corruption				
GRI 206: Anti-competitive beha	viour					
GRI 3: Material Themes - version 2021	3-3 Management of material topics	31-32				
GRI 206: Anticompetitive behaviour	206-1: Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	32				
GRI 207: Fees - 2019		1	1			
GRI 3: Themes Materials version 2021	3-3 Management of material topics	94-95				
GRI 207: Taxes 2019	207-1 Approach to tax	94-95				
	207-2 Tax governance, control, and risk manageme	94-95				
	207-4 Country-by-Country Reporting	95				
GRI 301: Materials - 2016	1	1	1	1	I	1
GRI 3: Themes Materials version 20211	3-3 Management of material topics	44				
GRI 301: Materials 2016	301-1 Materials used by weight or volume	47-49; 102				
	301-2 Recycled input materials used	48; 102-103				

GRI STANDARD	INFORMATIVE REPORT	LOCATION		N. OF Standard Ref. Sector Gri		
			OMITTED REQUIREMENTS	REASON	EXPLANATION	
MATERIAL THEMES						
GRI 302: Energy - 2016						
GRI 3: Themes Materials version 2021	3-3 Management of material topics	44-45				
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	46; 103				
	302-3 Energy intensity	46; 103				
GRI 303: Water and wastew	vater - 2018					
GRI 3: Themes Materials version 2021	3-3 Management of material topics	44				
GRI 303: Water and waste ater 2018	303-1 Interaction with water as a shared resource	60-61				
	303-5 Water consumption	60-61				
GRI 304: Biodiversity - 2016	j					
GRI 3: Themes Materials version 2021	3-3 Management of material topics	44				
GRI 304: Biodiversity 2016	304-2 Significant impacts of activities, products and services on biodiversity	62-64				
GRI 305: Emissions - 2016						
GRI 3: Themes Materials version 2021	3-3 Management of material topics	44; 56				
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	53; 104				
	305-2 Energy indirect (Scope 2) GHG emissions	53; 105				
	305-4 GHG emissions intensity	53; 104-105				
	305-6 Emissions of ozone-depleting substances (ODS)	60				
	305-7 Nitrogen oxides (NOX), sulphur oxides (SOX) and other significant emissions	60				

GRI STANDARD	INFORMATIVE REPORT	LOCATION	OMISSION			N. OF STANDARD REF. SECTOR GRI
			OMITTED REQUIREMENTS	REASON	EXPLANATION	
MATERIAL THEMES						
GRI 306: Waste - 2020						
GRI 3: Themes Materials version 2021	3-3 Management of material topics	44				
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	49;				
	306-2 Management of significant waste-re- lated impacts	49				
	306-3 Waste generated	49-51				
GRI 308: Environmental Assessr	nent of Suppliers - 2016	1	[		I	1
GRI 3: Themes Materials version 2021	3-3 Management of material topics	37; 82				
GRI 308: Supplier Environmental Assessment 20166	308-1 New suppliers that were screened using environmental criteria	38				
GRI 401: Employment - 2016		1	1		I	
GRI 3: Themes Materials version 2021	3-3 Management of material topics	72				
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	75				
	401-2 Benefits provided to full-time em- ployees that are not provided to temporary or part-time employees	81				
GRI 403: Occupational Health a	nd Safety - 2018					·
GRI 3: Themes Materials version 2021	3 - 3 Management of material topics	72; 78				
GRI 403: Health and Safety at Work 2018	403-1 Occupational health and safety management system	78				
	403-2 Hazard identification, risk asses- sment, and incident investigation	78				
	403-3 Occupational health services	78				
	403-4 Worker participation, consultation, and communication on occupational health and safety	78				
	403-5 Worker training on occupation health and safety	78				
	403-6 Promotion of worker health	78				

GRI STANDARD	INFORMATIVE REPORT	LOCATION	OMISSION			N. OF STANDARD REF. SECTOR GRI
			OMITTED REQUIREMENTS	REASON	EXPLANATION	
MATERIAL THEMES						
GRI 403: Health and Safety at Work 2018	403-7 Prevention and mitigation of occu- pation health and safety impacts directly linked by business relationships	78				
	403-9 Work-related injuries	78-79				
	403-10 Work-related ill health	79				
GRI 404: Training and education	n - 2016					
GRI 3: Themes Materials version 2021	3-3 Management of material topics	80				
GRI 404: Training and education 2016	404-1 Average hours of training per year per employee	80				
	404-2 Programs for upgrading employee skills and transition assistance programs	80-81				
GRI 405: Diversity and Equal Op	pportunities - 2016	1	1		1	
GRI 3: TThemes Materials version 2021	3-3 Management of material topics	72				
GRI 405: Diversity and Equal Opportunities 2016	405-1 Diversity of governance bodies and employees	74-77				
GRI 406: Non-discrimination - 2	2016		I		I	
GRI 3: Themes Materials version 2021	3-3 Management of material topics	35-36				
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	77				
GRI 413: Local Communities - 2	016					
GRI 3: Themes Materials version 2021	3-3 Management of material topics	36				
GRI 413: Local Communities 2016	413-2 Operations with significant actual and potential negative impacts on local communities	85-90				
GRI 414: Social evaluation of su	ippliers - 2016		1	1	1	
GRI 3: Themes Materials version 2021	3-3 Management of material topics	37: 82				
GRI 414: Social evaluation of suppliers 2016	414-1 New suppliers that were screened using social criteria	38				

GRI STANDARD	INFORMATIVE REPORT	LOCATION	OMISSION			N. OF STANDARD REF. SECTOR GRI
			OMITTED REQUIREMENTS	REASON	EXPLANATION	
MATERIAL THEMES						
GRI 416: Customer health and sa	fety - 2016					
GRI 3: Themes Materials version 2021	3-3 Management of material topics	24; 41; 44				
GRI 416: Customer Health and Safety 20166	416-1 Assessment of health and safety impacts of product and service categories	41; 44-45				
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	During 2023, there were no incidents of non-compliance concerning impacts on the health and safety of products and services.				
GRI 417: Marketing and labelling	ŋ - 2016					
GRI 3: Themes Materials version 2021	3-3 Management of material topics	41				
GRI 417: Marketing and labelling 2016	417-2 Incidents of non-compliance concerning product and service information and labeling	During 2023 there are no incidents of infor- mation non-com- pliance and labelling of products and services				
	417-3 Incidents of non-compliance concerning marketing communications	There were no cases of non-compliance concerning marketing communications during 2023.				



### Copper, raw material for the energy transition

"If steel provides the skeleton of our world and concrete its flesh, copper is the nervous system of civilisation. Of copper are the circuits and cables that we do not see but without which the world could not function"

Ed Conway, 'The World's Material'





Deloitte & Touche S.p.A. Via Tortona, 25 20144 Milano Italia

Tel: +39 02 83322111 Fax: +39 02 83322112 www.deloitte.it

### INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED NON-FINANCIAL STATEMENT PURSUANT TO ARTICLE 3, PARAGRAPH 10 OF LEGISLATIVE DECREE No. 254 OF DECEMBER 30, 2016 AND ART. 5 OF CONSOB REGULATION N. 20267/2018

### To the Board of Directors of KME Group S.p.A.

Pursuant to article 3, paragraph 10, of the Legislative Decree no. 254 of December 30, 2016 (hereinafter "Decree") and to article 5 of the CONSOB Regulation n. 20267/2018, we have carried out a limited assurance engagement on the Consolidated Non-Financial Statement of KME Group S.p.A. and its subsidiaries (hereinafter "KME Group" or "Group") as of December 31, 2023 prepared on the basis of art. 4 of the Decree and approved by the Board of Directors on April 8, 2024 (hereinafter "NFS").

Our limited assurance engagement does not extend to the information required by art. 8 of the European Regulation 2020/852 included in the paragraph "KPI Taxonomy".

### Responsibility of the Directors and the Board of Statutory Auditors for the NFS

The Directors are responsible for the preparation of the NFS in accordance with articles 3 and 4 of the Decree and "Global Reporting Initiative Sustainability Reporting Standards" established by GRI – Global Reporting Initiative ("GRI Standards"), which they have identified as reporting framework.

The Directors are also responsible, within the terms established by law, for such internal control as they determine is necessary to enable the preparation of NFS that is free from material misstatement, whether due to fraud or error.

The Directors are moreover responsible for defining the contents of the NFS, within the topics specified in article 3, paragraph 1, of the Decree, taking into account the activities and characteristics of the Group, and to the extent necessary in order to ensure the understanding of the Group's activities, its trends, performance and the related impacts.

Finally, the Directors are responsible for defining the business management model and the organisation of the Group's activities as well as, with reference to the topics detected and reported in the NFS, for the policies pursued by the Group and for identifying and managing the risks generated or undertaken by the Group.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the compliance with the provisions set out in the Decree.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Udine Verona

Sede Legale: Via Tortona, 25 - 20144 Milano | Capitale Sociale: Euro 10.328.220,00 i.v.

Codice Fiscale/Registro delle Imprese di Milano Monza Brianza Lodi n. 03049560166 - R.E.A. n. MI-1720239 | Partita IVA: IT 03049560166

Il nome Deloitte si riferisce a una o più delle seguenti entità: Deloitte Touche Tohmatsu Limited, una società inglese a responsabilità limitata ("DTTL"), le member firm aderenti al suo network e le entità a esse correlate. DTTL e ciascuna delle sue member firm sono entità giuridicamente separate e indipendenti tra loro. DTTL (denominata anche "Deloitte Global") non fornisce servizi ai clienti. Si invita a leggere l'informativa completa relativa alla descrizione della struttura legale di Deloitte Touche Tohmatsu Limited e delle sue member firm all'indirizzo www.deloitte.com/about.

## Deloitte.

#### Auditor's Independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)* issued by the *International Ethics Standards Board for Accountants*, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

During the year covered by this assurance engagement, our auditing firm applied *International Standard* on *Quality Control 1 (ISQC Italia 1)* and, accordingly, maintained a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### Auditor's responsibility

Our responsibility is to express our conclusion based on the procedures performed about the compliance of the NFS with the Decree and the GRI Standards. We conducted our work in accordance with the criteria established in the "International Standard on Assurance Engagements ISAE 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information" (hereinafter "ISAE 3000 Revised"), issued by the International Auditing and Assurance Standards Board (IAASB) for limited assurance engagements. The standard requires that we plan and perform the engagement to obtain limited assurance whether the NFS is free from material misstatement. Therefore, the procedures performed in a limited assurance engagement are less than those performed in a reasonable assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

The procedures performed on NFS are based on our professional judgement and included inquiries, primarily with company personnel responsible for the preparation of information included in the NFS, analysis of documents, recalculations and other procedures aimed to obtain evidence as appropriate.

Specifically, we carried out the following procedures:

- 1. analysis of relevant topics with reference to the Group's activities and characteristics disclosed in the NFS, in order to assess the reasonableness of the selection process in place in light of the provisions of art.3 of the Decree and taking into account the adopted reporting standard;
- 2. analysis and assessment of the identification criteria of the consolidation area, in order to assess its compliance with the Decree;
- 3. comparison between the financial data and information included in the NFS with those included in the consolidated financial statements of the KME Group as of December 31, 2023;
- 4. understanding of the following matters:
  - business management model of the Group's activities, with reference to the management of the topics specified by article 3 of the Decree;

# Deloitte.

- policies adopted by the entity in connection with the topics specified by article 3 of the Decree, achieved results and related fundamental performance indicators;
- main risks, generated and/or undertaken, in connection with the topics specified by article 3 of the Decree.

Moreover, with reference to these matters, we carried out a comparison with the information contained in the NFS and the verifications described in the subsequent point 5, letter a) of this report;

5. understanding of the processes underlying the origination, recording and management of qualitative and quantitative material information included in the NFS.

In particular, we carried out interviews and discussions with the management of KME Group S.p.A. and with the employees of KME Germany GmbH, KME Italy S.p.A. and KME Mansfeld GmbH and we carried out limited documentary verifications, in order to gather information about the processes and procedures which support the collection, aggregation, elaboration and transmittal of non-financial data and information to the department responsible for the preparation of the NFS.

In addition, for material information, taking into consideration the Group's activities and characteristics:

- at Group level:
  - a) with regards to qualitative information included in the NFS, and specifically with reference to the business management model, policies applied and main risks, we carried out interviews and gathered supporting documentation in order to verify its consistency with the available evidence;
  - b) with regards to quantitative information, we carried out both analytical procedures and limited verifications in order to ensure, on a sample basis, the correct aggregation of data.
- for KME Mansfeld GmbH and KME Italy S.p.A., which we selected based on their activities, their contribution to the performance indicators at the consolidated level and their location, we carried out site visits, during which we have met their management and have gathered supporting documentation with reference to the correct application of procedures and calculation methods used for the indicators.

### Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of the KME Group as of December 31, 2023 is not prepared, in all material aspects, in accordance with article 3 and 4 of the Decree and GRI Standards.

Our conclusion on the NFS does not extend to the information required by art. 8 of the European Regulation 2020/852 included in the paragraph *"KPY Taxonomy"*.



DELOITTE & TOUCHE S.p.A.

Signed by **Luca Franchino** Partner

Milan, Italy April 30, 2024

This report has been translated into the English language solely for the convenience of international readers.



**Registered office:** Foro Buonaparte 44, 20121 Milano

**Telephone:** +39 02 806291

Site: www.itkgroup.it

Graphics **Eprcomunicazione**