

# 2021 Sustainability Report

Litens Automotive Partnership





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METRIC		UNIT OF MEASURE	LITENS 2021 DATA
<b>Emissions</b>	Scope 1 / Scope 2 GHG emissions	Metric Tons (t) CO <sub>2</sub> e	3914.51 (Scope 1) / 2612.93 (Scope 2)
<b>Energy Management</b>	Aggregate amount of energy consumed	Gigajoules (GJ) / MegaWatt hours (MWh)	104,116.57 GJ / 28921.27 MWh
	Energy intensity	MegaWatt hours (MWh) / Sales (CDNm)	24.01 MWh / CDNm
<b>Waste Management</b>	Aggregate amount of waste generated	Metric Tons (t)	2,511 t
<b>Water Management</b>	Annual water consumption	Megaliters (ML)	26.87
<b>Environmental Management</b>	Annual remediation expenses	Reporting Currency (CDN)	NIL
<b>Competitive Behavior</b>	Total amount of monetary losses incurred as a result of legal proceedings associated with anti-competitive behavior regulations	Reporting Currency (CDN)	NIL
<b>Health and Safety</b>	Accident frequency rate	1.0 = 1 injury / illness per 100 employees working 40 hours/week, 50 weeks/year	1.45
	Accident severity rate	10.0 = 10 lost workdays / 100 employees working 40 hours/week, 50 weeks/year	19.94
<b>Gender Diversity</b>	% of employees who are women	Percentage (%)	30



# Introduction



# Introduction

## COMMITMENT TO SUSTAINABILITY

Our commitment to sustainability influences the way we run our business, operate our facilities and contribute to communities around the world. We strive to conduct business in ways that respect the rights of stakeholders, including shareholders, employees, customers and the communities in which we operate in. As a result of this pledge, we are committed to be a responsible corporate citizen and have backed our commitment with concrete actions in core areas of sustainability.





## APPROACH TO SUSTAINABLE VALUE CREATION

Overall, our approach to sustainable value creation involves:

- developing, engineering, manufacturing and delivering innovative product solutions for our customers, which achieve shared goals of reduced weight, lower fuel consumption and reduced carbon emissions;
- optimizing and innovating our manufacturing processes for resource and input efficiency, as well as product quality;
- enhancing the energy efficiency of our plants to reduce Scope 1 greenhouse gas emissions;
- working on a roadmap for the transition to 100% renewable energy to reduce our Scope 2 emissions;
- continuing to work on a roadmap for engaging with our supply chain regarding Scope 3 emissions;
- treating our employees fairly and looking out for their health, safety and general well-being; and
- serving as a good community partner, particularly in the communities in which our employees live and work.



This Sustainability Report aims to provide our stakeholders with a better understanding of how we approach the creation of sustainable, long-term value and our management of sustainability-related risks. The report has been structured to align with the Task Force on Climate-related Financial Disclosures (“TCFD”) framework, as well as the Sustainability Accounting Standards Board’s (“SASB”) Auto Parts accounting standard, where possible. While this report may not currently provide stakeholders with all of the information sought through the TCFD and SASB frameworks, we continue to evolve and enhance our disclosure as our collection and validation of the applicable data improves. While the TCFD and SASB Auto Parts frameworks primarily address climate-related factors, this Sustainability Report aims to go beyond such items to give stakeholders a better understanding of the broad range of initiatives that define our approach to sustainable value creation.



SUSTAINABILITY SPOTLIGHT

# Eco-Conscious Employees Across the Globe



Litens Romania team participated in the Recycle Racing event.



Litens Canada employees participated in the Highway of Heroes Tree Planting Campaign, supporting the community and the environment.



# Sustainability Governance



# 1.1 Management

- Sustainability-related objectives setting is carried out annually as part of the overall annual business planning process.
- Environmental management leadership provides ongoing assistance to the site's personnel in resolving action items.
- Audit/inspection findings are also communicated to Senior Management to enhance oversight and management's commitment to resolving action items.
- A performance review/CI objectives review takes place with Senior Management on a quarterly basis.
- An escalation process is in place to deal with action items that are not being resolved on a timely basis, with additional environmental risk awareness training provided to the relevant areas.

General environmental awareness training is provided to employees during orientation and at regular intervals by management representatives at the facilities, as part of ISO 14001 certification compliance. In addition, our HSE team at LAP holds regional collaborations on a regular basis with the representatives of manufacturing facilities in order to:

- reinforce our commitment to environmental responsibility;
- communicate changes in local and regional regulations; and
- share best practices with respect to environmental protection, compliance and sustainability initiatives.

We are also subject to environmental laws that require prevention of environmental contamination and where contamination has occurred, to investigate and remediate to acceptable levels. To date, the aggregate costs incurred in complying with environmental laws and regulations have not had a material adverse effect on us.

A number of initiatives intended to help us achieve carbon reduction are well underway, including energy optimization initiatives and a phased-in transition to renewable electricity globally. For us, carbon offsets are a last resort to offset Scope 1 emissions that cannot be displaced by other methods, not a primary means of achieving our targets.



# Carbon Neutrality Priorities

**1**  
**ENERGY  
OPTIMIZATION  
(SCOPE 1 & 2)**  
Energy reduction initiatives

**2**  
**RENEWABLE  
ENERGY  
(SCOPE 2)**  
A regional portfolio approach to  
renewable energy including: Power  
Purchase Agreements (PPAs),  
Renewable Energy Certificates  
(RECs) and self generation

**3**  
**CARBON  
OFFSET  
(SCOPE 1)**  
Purchase of clean carbon offsets  
as a last resort to address Scope 1  
emissions that cannot be displaced

Our energy optimization activities are described in further detail in Section 2.3 of this Sustainability Report.

Aspects of sustainability beyond climate-change concerns are typically managed through a structure in which corporate-wide functions support initiatives implemented or managed by global sites. Examples of functional areas managed in this manner include: environmental management and compliance; occupational health and safety; quality and operational improvement; talent management, including diversity and inclusion; cybersecurity; data privacy; as well as supply chain.



# Climate- Related Opportunities



# 2.1 Corporate Strategy

The automotive industry is being defined by a number of global megatrends that have shaped our long-term strategy, including:

	MEGATREND	IMPACT ON AUTOMOTIVE
Society	Demographic Change & Individualism	Product design will be influenced by aging population and growing individualization.
	Digital Transformation	Connectivity and digitization impact both product and process. New vehicle architectures that connect the subsystems along with software functionality create additional value to products. Process is also impacted due to increased digitization, driven by increased requirements for productivity and quality. Connected and autonomous vehicle technologies and new concepts of providing and monetizing on-demand digital services offer a range of opportunities for new products and services.
	Health & Well-Being	ADAS and autonomy take rates will be driven both by consumer preferences as well as regulatory requirements tied to increased safety.
Mobility	Urbanization	Continued growth in urban population will lead to changes in mobility as a result of increased density and congestion with an increase in electric vehicle adoption and new transport modalities.
	New Mobility	Emerging new mobility eco-system offers a range of potential opportunities for new products and services.
Economy	Natural Resources, Energy & Environmental	Increased focus on the environment and climate change will drive growth rates for electrification.

We have developed our corporate strategy to realize the opportunities from these trends. Key elements of such strategy include:

We are developing and introducing new products for fully electrified vehicles and continuing to implement our suite of energy savings products for hybrid and ICE based vehicles. We seek to grow our business and capabilities in areas which are positively impacted by the megatrends.

### Driving Operational Excellence

We are committed to manufacturing excellence. We continue to elevate our approach to manufacturing by implementing “factory of the future” initiatives including: enhanced use of big data and analytics; advanced robotics, additive manufacturing and augmented reality. The ultimate goal is to achieve greater profitability through further enhanced quality, production efficiency, reduction of floor space and improved return on investments. Critical elements of our approach to operational excellence include our World Class Manufacturing initiatives.



## 2.2 Products and Services

Litens has been developing technologies that help our OEM customers bring to market vehicles which meet or exceed consumer expectations regarding fuel consumption and greenhouse gas (GHG) emissions. Our contribution in this regard is through:

- use of advanced and lightweight materials;
- components and systems with reduced mass through use of advanced / lightweight materials, innovative multi-material joining;
- processes, increased use of electronics and reduced number of parts;
- solutions to help optimize internal combustion engines; and
- innovative products.



## SUSTAINABILITY SPOTLIGHT

# Innovating with the Planet in Mind | Leading Electrification Solutions



Litens engineering team developed an eRanger, a flexible platform to explore, test and push technological boundaries to find innovative solutions for our customers and contribute to a sustainable future.



Litens engineering team is building know-how and ramping up electric vehicle technology.



## 2.3 Resource Efficiency

### 2.3.1 ENERGY

As part of our sustainability and operational efficiency efforts, we are focused on optimizing energy use, which may result in savings in overall energy costs. Accordingly, we are focused on becoming more energy efficient (measured by energy consumption relative to Sales) so that, at minimum, our rate of increase in energy consumption slows.

Some of the incremental changes made by our facilities and processes to reduce our energy consumption and improve energy efficiency include:

- Installation of LED lighting;
- Equipment start-up/shut-down/idling procedures to achieve energy-savings during production downtime;
- Compressed air leak identification and repair initiatives;
- Use of ceiling fans to blend air temperatures evenly within our operations;
- Computer-controlled utility and HVAC systems to allow for improved performance and energy reduction;
- Door and dock seal repairs to reduce heat loss;
- High efficiency chiller and compressor upgrades;
- Integration of air economizers and heat recovery units into HVAC systems;
- Occupancy-sensor-controlled lighting and energy efficient lighting retrofits;

- Use of solar panels at certain facilities;
- Recovery of waste heat from certain processes for use in other areas;
- Installation of variable frequency drives on motors and pumps; and
- Participation in energy savings and incentives programs offered by utilities providers in some jurisdictions in which we operate.

In 2021, we completed a number of energy projects across all global facilities which resulted in a reduction in energy consumption. In the near-and medium-terms, adoption of renewable energy may increase our energy costs, but we are working to offset the impact of such increases through energy use reductions. During 2022-23 we are making significant investments to introduce solar energy power generation in four of our global manufacturing sites.



### 2.3.2 WATER

We have implemented projects to reduce water consumption at our facilities. While we are not a significant water user, achievement of water reductions would be expected to result in cost savings, potentially by offsetting (in whole or in part) any increase in the rates charged by applicable water utilities. Overall, we do not anticipate that any savings will be material.

### 2.3.3 WASTE

We have also implemented waste reduction targets at our facilities. All recyclable waste generated at our global facilities is recycled. All facilities are focused on the complete diversion of non-recyclable waste from landfill, and the waste is sent to incineration where available.

## 2.4 Resilience

The automotive industry as a whole is investing in innovations aimed at adapting mobility products and service solutions to a low-carbon economy.

The risk mitigation factors below in “Section 3 – Climate-Related Risks and Risk Mitigation” and initiatives to realize opportunities discussed in this Section of the Sustainability Report are expected to promote our ability to adapt and succeed in a low-carbon economy.



# Climate- Related Risks and Risk Mitigation



# 3.1 Transition Risks and Risk Mitigation

## 3.1.1 REGULATORY POLICY ACTIONS

Applicable near-term policy actions related to climate change generally fall into one of the following categories, each of which may have an indirect effect on Litens:

**Average Fleet Emissions or Fuel Efficiency Regulations:** governments in key auto producing regions have set challenging average vehicle fleet emissions or fuel efficiency targets which OEMs must meet, including the European Union, China and the U.S., as detailed below. We regularly monitor changes in regulation relating to emissions and fuel efficiency as part of our strategic planning processes:

- **European Union:** E.U. regulations generally require OEMs to have achieved E.U. fleet-wide average emissions of 95g CO<sub>2</sub>/km by 2021, which corresponds to 4.1 litres/100 km of gas or 3.6 litres/100 km of diesel. Commencing in 2021, vehicle manufacturers with an average fleet economy in excess of the target must pay an excess emissions penalty for each vehicle registered within the E.U. The 2021 average emissions level forms the baseline for a further 15% fleet-wide average emissions reduction from 2025 onwards; and 37.5% from 2030 onwards. In addition, the E.U. is planning to aggressively increase such targets to a 55% reduction by 2030 and a 100% reduction by 2035, with the relevant (Euro 7) legislation

with an implementation date of 2025. Penalties levied on non-compliant OEMs may be passed on to vehicle-buying consumers, which could impact demand for such vehicles and thus demand for Litens products supplied for such programs. Additionally, E.U. regulations contain incentives aimed at promoting the development of ZLEVs. The CO<sub>2</sub> emissions targets applying to any particular OEM will be relaxed if its share of ZLEVs registered within the E.U. in any year exceeds 15% from 2025 onwards, and 35% from 2030 onwards.

- **China:** In China, effective July 1, 2021, stringent China VI emissions regulations addressing particulate emissions were implemented, which could affect consumer demand for vehicles, or powertrain options for vehicles, that do meet the new emissions standard.
- **Brazil:** Effective January 1, 2022, the PROCONVE L-7 standards were implemented. More stringent L-8 standards will be introduced starting on January 1, 2025. The stringency of L-8 standards is scheduled to increase with time, and they will be fully phased in for light passenger vehicles by January 1, 2029 and for light commercial vehicles by January 1, 2031.
  - **India:** With implementation of CAFE II norms in April, 2022, the limit for CO<sub>2</sub> emissions was reduced from 130 g/km to 113 g/km. In addition to CAFE norms, BS6 Stage II norms will be implemented in 2023 requiring OEMs to upgrade both hardware and software on the cars to meet the more stringent emission standards.



- **United States:** In the U.S., the current administration issued an executive order with a non-binding target of 50% of all new vehicles sold in 2030 to be zero-emission vehicles, including battery electric, plug-in hybrid electric, or fuel cell electric vehicles. Subsequently, the U.S. Environmental Protection Agency (EPA) finalized new vehicle emissions standards for passenger cars and light-duty trucks with model years 2023-2026 which increase in stringency through that period, and would result in a fleetwide average fuel economy of approximately 40 mpg in 2026. More stringent emissions standards for model years 2027-2030 are expected to be introduced by the EPA in the near term. In addition, the U.S. National Highway Traffic Safety Administration (NHTSA) issued new corporate Average Fuel Economy (CAFE) standards – regulating how far our vehicles must travel on a gallon of fuel. The new CAFE standards for passenger cars and light trucks manufactured in model years 2024-2026, would increase fuel efficiency requirements by 8% annually (compared to 1.5% annually under previous standards) for model years 2024-2026 and increase the estimated fleetwide average fuel economy by 12 miles per gallon for model year 2026 vehicles, relative to model year 2021. The tightening emissions standards in the European Union, China and the U.S. are intended to promote the transition to ZLEVs. OEMs have been spending significant sums in R&D in order to meet the higher regulatory standards. Although production of ZLEVs is accelerating due to regulatory requirements, to the extent that ZLEVs do not sell at the levels expected, production volumes may need to be reduced. Lower than forecast production poses a risk to our ability to recover pre-production expenses amortized in the piece-price of our product, as discussed above.

**Phase-Out of New ICE Vehicles:** In addition to more stringent fleet emissions and fuel efficiency standards, the number of national and subnational jurisdictions committing to, or accelerating existing commitments to, phase-out of the sale or registration of new ICE engines is growing. Several countries in Europe have set target dates by which only zero-emission passenger vehicle sales or registrations would be permitted, including:

- **2025:** Netherlands; Norway
- **2030:** Denmark; Iceland; Ireland; Germany; Slovenia
- **2035:** Italy
- **2040:** France; Spain

Moreover, once implemented, the new Euro 7 emissions standards discussed above, which would require 100% reduction in CO<sub>2</sub> emissions would effectively ban the sale of new gasoline and diesel fueled vehicles in EU member countries by 2035.

The United Kingdom has accelerated its plans to phase out ICE passenger cars and vans, with all vehicles required to have a significant zero emissions capability (e.g. plug-in and full hybrids) from 2030, and be 100% zero emissions from 2035. Similarly, Canada has accelerated its mandatory phase out of ICE and diesel-powered vehicles through a new regulation that requires all new sales of vehicles and light-duty trucks to be zero emissions by 2035; with interim targets for 2025 and 2030 expected to be introduced as well.

Given the long lead times for vehicle development such proposals and emerging regulation are expected to increasingly impact OEM and automotive supplier product planning and development this decade.



**Vehicle Restrictions in Congested Urban Centres:** Municipal governments in a number of cities around the world have introduced restrictions on personal-use vehicles in congested urban centres, in an effort to reduce CO<sub>2</sub> emissions and improve urban air quality. Examples of the types of restrictions include: car-free zones; toll charges; and use restrictions by licence plate. Continued expansion of such initiatives could reduce the demand for personal-use vehicles, which could affect our profitability. As a result of measurable air quality improvements in many cities during COVID-19-related mandatory lockdowns/ stay-at-home orders, an expansion of restrictions on personal-use vehicles in urban centres is likely.

We attempt to mitigate applicable policy risks relating to climate change-related regulation in a number of ways, including:

- monitoring and evaluating global regulatory developments;
- early-stage interaction with our OEM customers to understand their product priorities and regulatory compliance requirements;
- in-house R&D, combined with investment strategies in technological start-ups; and
- strategic planning processes.

In terms of direct policy actions affecting our operations, we anticipate continued strengthening of environmental regulations related to industrial emissions and discharge of pollutants to air, water and ground.

### 3.1.2 CUSTOMER-DRIVEN POLICY ACTIONS

A number of our OEM customers have set carbon-neutrality targets and are challenging Tier 1 Suppliers to support such targets. In some cases, we are being asked to quote the supply of future programs based on 100% renewable energy use for production. Although we expect to meet or exceed our customers' expectations, the inability to do so within the time frames expected could result in the loss of some future business.

### 3.1.3 CLIMATE-RELATED LITIGATION

We do not currently believe that climate change related litigation represents a significant legal risk for us. However, if OEMs are adversely impacted by climate-change litigation, there is a possibility that Tier 1 automotive suppliers like Litens could face additional pricing pressure.

### 3.1.4 TECHNOLOGY

In the case of drivetrain products, we view the know-how gained from our drivetrain expertise as being critical to our ability to deliver innovative electrified solutions that meet our customers' needs. In addition to continuing to offer a range of mechanical and electrified drivetrain products, we aim to mitigate technology transition risks through:

- Increased in-house R&D;
- Targeted acquisitions;
- Early customer engagement, and
- Increased university engagement.



### 3.1.5 MARKET

Some of the risks impacting the market for our products in the transition to a low-carbon economy are described above under “Section 3.1.1 – Regulatory Policy Actions” and “Section 3.1.4 – Technology”. Additionally, there are potential risks to the demand for personal mobility vehicles, and thus for our products, from technology-driven shared mobility solutions such as ride hailing and ride sharing. To date, such shared mobility solutions have not had a material impact on the demand for new vehicles and no such adverse effect is expected in the near- to medium-term. In any event, our own strategy related to new mobility seeks to mitigate risks to our business and realize opportunities based on the breadth of capabilities we can offer to new mobility customers.

Additionally, in order to enhance our understanding of potential shifts in consumer behavior, we conduct our own analysis of various factors that are expected to drive future personal and shared mobility trends, including through:

- monitoring and analysis of social, digital, demographic, regulatory, industry, geopolitical and other trends which may create demand for and drive development of new automotive and mobility technologies;
- review of academic research;
- collection and screening of ideas submitted through innovation programs; and
- early-stage interaction with our OEM customers and new mobility market entrants to understand their product priorities.

As the entire industry’s carbon-neutrality efforts increase, the price of low-carbon steel and aluminum may increase in the near- and medium-terms until the supply of low-carbon product is sufficient to meet growing demand. In the near- and medium-term, the increasing production of ZLEVs may also strain supplies of the rare earth minerals and other metals required for vehicle battery systems, which we do not supply, including nickel, cobalt and lithium used in EV batteries, copper for EV charging infrastructure and rare earth metals for EV motor magnets. However, such supply constraints could help spur the development of alternative battery technologies or low-carbon fuels and/or promote technological breakthroughs that could facilitate market penetration of hydrogen fuel cell or other technologies.



### 3.1.6 REPUTATION

Since light vehicles are contributors to global GHG emissions, Tier 1 suppliers like Litens may face reputational risks from participation in the automotive industry. Examples of such risk types include potential loss of business from sustainability-focused customers, and challenges attracting talent. A number of our OEM customers are embedding sustainability criteria in their sourcing decisions and could reduce purchases from us if they perceive Litens to lag other suppliers with respect to sustainability. In addition, millennials and other components of the workforce want to work in companies they perceive as sustainable, making it difficult for companies to attract such talent if the company is perceived as lagging in sustainability. However, OEMs and Tier 1 Suppliers have been proactively adapting to climate change and transitioning to a low-carbon economy, as evidenced by the significant spending on R&D and technological innovation to reduce CO<sub>2</sub> emissions, particularly through electrification and powertrain efficiency, as well as the setting of carbon neutrality targets in their own operations. At the same time, particular OEMs may be viewed as more or less sustainable based on their sustainability strategies and commitment to transitioning to a low-carbon economy. Equally, particular vehicle models or even entire vehicle segments may be perceived to be more or less sustainable. As a supplier of a broad range of systems to all major OEMs, we do not anticipate any consequences to our reputation by virtue of the fact that we may supply to any particular OEM, vehicle or vehicle segment. In any event, we believe that our R&D and technological innovation, which is focused on lightweighting, improved fuel economy and lower emissions, together with our sustainability strategy, including our carbon neutrality commitments, serve to mitigate potential reputational risks.



## 3.2 Physical Risks and Risk Mitigation

With the increased frequency and severity of extreme weather events associated with climate change, including floods, windstorms, wildfires, tornados, tsunamis, hailstorms and other natural weather hazards, we face the risk that such an event could cause significant damage to one or more of our facilities or those of our customers and/or sub-suppliers. While our primary concern in an acute climate event affecting one of our facilities would be the safety and well-being of our employees, property damage and business interruption would represent the primary financial risk.

An acute climate event that significantly damages one of our facilities, could disrupt our production and/or prevent us from supplying products to our customers. Such an event could lead to us incurring a number of costs, many of which may be unrecoverable, including: costs related to the physical repair of any damage to our facility; costs related to premium freight or re-sourcing of supply; penalties or business interruption claims by our customers; loss of future business and reputational damage; and higher insurance costs going forward.

Extreme climate events could also disrupt supply chains for the entire industry over the near-, medium- and long-term. Such events can cause shortages of critical materials, which in turn drives prices higher.

We maintain a global property risk control program to support our efforts to mitigate risks to our employees' safety, physical property risks and potential for business interruption due to extreme weather events, including hurricanes, tornadoes, flooding and earthquakes. The program, which includes risk engineering with support from a third party property risk engineering consulting firm, includes the following elements to promote the physical resiliency of our facilities and minimize the risk of disruption to our operations: periodic facility inspections; facility construction design review and recommendations; and training and education.



# Non-Climate Elements of Sustainability



## 4.1 Environmental Stewardship

Litens' goal is to achieve health, safety and environmental excellence through continually improving HSE management systems and results that contribute to becoming an industry leader in health, safety and environmental practices.

To achieve this goal, Litens health, safety and environmental policy commits to the following principles:

- identification and evaluation of all health and safety hazards, and environmental impacts, and reducing the associated risks using the hierarchy of controls;
- compliance with all applicable HSE legislation including applicable guidelines, standards and industry best practices;
- promote a culture of behaviours and conditions that contribute to the prevention of incidents and injuries;

- regular HSE communication and training, including however not limited to: safety talks, employee meetings, communication boards;
- instruction and supervision to ensure that everyone is capable of safely carrying out their work;
- avoidance of materials and methods posing HSE risk when alternatives are available;
- consulting and collaborating with employees and other stakeholders on HSE matters;
- tracking and communicating HSE performance throughout the organization, and benchmarking key HSE performance indicators against similar organizations;
- set HSE performance objectives, measure results, assess and continually improve the HSE management system;
- improve the efficient use of natural resources, including energy and water; minimize waste streams and emissions; and implementing effective recycling programs in its manufacturing operations, through the use of locally set continuous improvement targets;
- ensure all contractors and suppliers meet acceptable HSE performance standards;
- integrate HSE into all organizational activities;

The full text of the HSE Policy is located on Litens website ([www.litens.com](http://www.litens.com)).

### 4.1.1 ENVIRONMENTAL COMPLIANCE

Litens is subject to a wide range of environmental laws and regulations relating to emissions, wastewater discharge, waste management and storage of hazardous substances. Litens maintains a global environmental program which consists of both internal and third-party audits of our facilities for compliance with local regulations, and industry best practices. All of Litens manufacturing facilities are registered to ISO 14001 standard.



#### Audits & Inspections



#### Risk Assessment & Action Plan



#### Oversight, Performance Tracking & Reporting

- The recommendations contained in the audit report are prioritized based on the level of risk and the facility is required to develop a corrective action plan to address the identified risks.

- Litens Health, Safety and Environmental Advisors provide ongoing assistance to the facility personnel in resolving action plan items and also reviewing action items that have been submitted for closure.
- Audit/Inspection findings are also communicated to the site management to enhance oversight and commitment to resolving action items.
- An escalation process is in place to deal with action items that are not being resolved on a timely basis.
- Litens Health, Safety and Environmental Advisors present periodic environmental compliance updates to the Senior Management.

### 4.1.2 HAZARDOUS WASTE AND INDUSTRIAL EMISSIONS

Hazardous wastes and emissions generated at our manufacturing sites meet all applicable government regulations. We attempt to reduce the amount of hazardous waste through: recycling, reuse or energy recovery initiatives.



## 4.2 Fairness and Concern for Employees

### 4.2.1 OUR COMMITMENT TO LITENS EMPLOYEES

"We are committed to an operating philosophy based on fairness and concern for people". This philosophy is part of our "Code of Conduct and Ethics" policy promoting a culture in which employees and management share the responsibility to help ensure our success.

Our Code of Conduct and Ethics sets out this philosophy through the following principles:

- Job Security – Being competitive by making a better product for a better price is the best way to enhance job security. We are committed to working together with our employees to help protect their job security, including through job counselling, training and employee assistance programs to our employees;
- A Safe and Healthful Workplace – We strive to provide our employees with a working environment that is safe and healthful;
- Fair Treatment – We offer equal opportunities based on an individual's qualifications and performance, free from discrimination or favoritism;
- Competitive Wages and Benefits – We provide our employees with information which enables them to compare their total compensation, including wages and benefits, with those earned by employees of direct competitors and local companies with which we compete for labour. If total compensation is not competitive, it will be adjusted;
- Employee Equity and Profit Participation – We believe that our employees should share in our financial success. Accordingly, 10% of our qualifying annual pre-tax profits before profit sharing are shared among participating employees in the form of cash and equity, helping to create an "owner's mindset" among employees and aligning them with shareholders;

- Communication and Information – Through regular employee meetings between management and employees, continuous improvement meetings and through various publications and videos, we keep our employees informed on company and industry developments. We also conduct employee opinion surveys to help ensure employee involvement and feedback; and
- Open Door Policy and Action Response Line – Should any of our employees have a complaint, or feel the foregoing principles are not being met, we encourage them to use our Open Door Policy and then contact our confidential and anonymous employee Response Line to register their complaints. We are committed to investigating and resolving all concerns or complaints received through the Action Response Line and must report the outcome of all submissions to our Senior Management Team. The Action Response Line serves as a confidential and anonymous whistle-blower forum for employees and other stakeholders that is overseen by our Legal Counsel. Complaints and responses are audited to ensure Action Response Line is meeting expectations in the released policies.



Our adopted policies codify our existing practices consistent with our culture and provide us a framework for our commitment to fundamental human rights and internationally accepted labour rights. In particular, the policies set out key commitments with regard to:

- maintaining respectful work environments where our employees feel safe and welcome, with opportunities for personal and professional growth;
- refusing to tolerate harassment of any kind, including physical, sexual, psychological or verbal abuse;
- treating and compensating employees without discrimination based on race, nationality, social origin, colour, sex, religion, gender identity, disability, sexual orientation, or any other ground protected by applicable law in the way we treat, promote or compensate employees;
- condemning child labour;
- rejecting forced or compulsory labour;
- maintaining safe and healthy workplaces;
- providing employees with appropriate rest and leisure time; and
- respecting the right of employees to associate freely and to bargain collectively where permitted by local laws and regulations.

#### **4.2.2 ACTIONS TO PROTECT EMPLOYEE ECONOMIC WELL-BEING IN RESPONSE TO COVID-19**

COVID-19 continued to disrupt production in 2021, through increased absenteeism and occasional temporary layoffs of employees. To minimize the economic impact felt by our employees, we took a number of steps, including:

- maintaining employee benefits coverages through the temporary layoff period;
- providing additional flexibility regarding compensated days available to employees during periods of downtime through utilization of accrued vacation days, and other types of paid leave, where possible;
- temporarily modifying our existing disability and sick leave plans to help provide coverage during periods of required quarantine, isolation and contact tracing;
- providing free access to rapid COVID-19 testing; and
- providing regular communication to employees, including with respect to Company programs to support their physical and mental health needs.



### 4.2.3 RESPECTING EMPLOYEE RIGHTS

We are committed to providing working conditions and standards that promote dignified and respectful treatment of all of our employees, globally, which are set out in our “Code of Conduct and Ethics” policy (“Code”).

Our Policy also articulates that we respect the rights of workers to associate freely and have freedom of choice to decide whether or not they wish to be represented by labour unions or workers’ councils in accordance with applicable laws.

### 4.2.4 LEADERSHIP DEVELOPMENT/TALENT MANAGEMENT

We have implemented, and continue to enhance, our Leadership Development System to help identify, train and develop future leaders with the skills and expertise needed to manage a complex, global business. We have also based our talent management strategy on our current business objectives and strategy and our understanding of the transformation taking place in the automotive industry. Given that an effective workforce will increasingly be required to be lean and digitally adept, we are focused on building such a workforce through attraction and recruitment, professional development, succession planning, promoting diversity and inclusion and preservation of our Fair Enterprise culture.



## 4.3 Diversity and Inclusion in our Workplaces

### 4.3.1 DIVERSITY AND INCLUSION

Our commitment to diversity and inclusion aligns with our values and is embedded in our culture. We strive to create an open and inclusive work environment enabling us to attract people from variety of different backgrounds providing us with diverse perspectives and capabilities. We believe in the principles of fair treatment, diversity and inclusion which we reinforce through regular communications, employee meetings and training at Litens. Any employee who believes that we are not living up to any of the principles including the principle of fair treatment can use our 'Open Door Process', which encourages employees to speak with anyone who can be of assistance without fear of retaliation as well as raise their concerns through the Action Response Line.

We abide by all applicable labour and employment laws, including those prohibiting discrimination and harassment and those providing for reasonable accommodation of differences. We are committed to providing equal employment and career advancement opportunities for everyone, without discrimination based on sex, race, ethnic background, religion, disability or any other personal characteristic protected by law.

### 4.3.2 GENDER DIVERSITY

We promote and embed gender and cultural diversity through our talent acquisition and management processes. On a global basis, 30% of the employees in our operations are women. We recognize that gender diversity is an important aspect of our commitment to fairness, we will continue to foster the environment that improves gender representation in coming days as well.



## 4.4 Occupational Health and Safety

### 4.4.1 ACTIONS TO PROTECT EMPLOYEE HEALTH AND SAFETY IN RESPONSE TO COVID-19

In response to COVID-19, we developed and implemented COVID-19 protocols, assessment tools and guidance documents to support our objective of responsibly managing the health and safety of our employees. In 2020, we developed and implemented a “Smart Start Playbook”, a guide which includes a streamlined set of checklists and practical recommendations based on guidelines from the Centers for Disease Control and Prevention, as well as the World Health Organization. Our health and safety staff continue to comply with applicable legal requirements and coordinate with public health authorities. Lessons learned, insights gained and best practices developed continue to assist us in managing the evolution of the COVID-19 pandemic, including the emergence of newer and more highly transmissible variants. In 2021, the development and availability of vaccines and testing became a key element of the Playbook, which included significant efforts to communicate with employees regarding the benefits of vaccination to minimize transmission, facilitate a safe work environment, and protect employees and the communities in which they live. In many of our operating jurisdictions, we established vaccination clinics, taking into account country-specific requirements to provide employees and their family members access to vaccines.

### 4.4.2 HEALTH AND SAFETY STANDARDS AND COMPLIANCE

Our commitment to providing a safe and healthful work environment is fulfilled through a regular program of health and safety audits and inspections of our global facilities. These audits and inspections cover health, safety, industrial-hygiene, industrial ergonomics and emergency preparedness policies and action plans. Audits are designed to address documentation requirements, while inspections assess physical hazards. Audits and inspections are conducted on-site and followed with a report requiring the facility to develop an action plan to address deficiencies or best practices. The action plans are reviewed by the site senior management.

The compliance program incorporates international and regional standards, including: ISO 45001, Canadian Standards Association (CSA), American National Standards Institute (ANSI), Conformité Européenne (CE), as well as country-specific standards. Audits and inspections are conducted by specialists with knowledge of corporate requirements and country-specific requirements. Legislative changes, accident trends and changes to industry standards are incorporated into the program as part of the annual review of the program.

Litens global sites have implemented a health and safety management system conforming to ISO 45001 standard. In 2021, Litens facilities in Germany, Romania, and Canada were registered to ISO 45001. Other sites are planned to achieve certification in 2022-23.

The key elements of the program are detailed below:



#### **Audits & Inspections**

- The recommendations contained in the audit report are prioritized based on the level of risk and the facility is required to develop a corrective action plan to address the identified risks.



#### **Risk Assessment & Action Plan**



#### **Oversight, Performance Tracking & Reporting**

- Litens Health, Safety and Environmental Advisors provide ongoing assistance to the facility personnel in resolving action plan items and also reviewing action items that have been submitted for closure.
- Audit/Inspection findings are also communicated to the site management to enhance oversight and commitment to resolving action items.
- An escalation process is in place to deal with action items that are not being resolved on a timely basis, with additional health and safety risk awareness training provided, where necessary.
- Litens Health, Safety and Environmental Advisors present periodic health and safety compliance updates to the site senior management.

#### **4.4.3 ERGONOMICS PROGRAM**

A key program for supporting employee well-being is our ergonomics program which aims to reduce the risk of musculoskeletal injuries. All new equipment are built to Litens ergonomic design standards and ergonomic risk assessments are carried out for various operations.



# 4.5 Corporate Ethics and Compliance

## 4.5.1 CODE OF CONDUCT AND ETHICS

We are committed to conducting business in a legal and ethical manner globally. Our President and Chief Executive Officer, and Management have communicated and consistently reinforced our clear and unequivocal compliance expectations through all levels of our organization. Our Code, which applies equally to all of our directors, managers and employees, articulates our compliance-oriented values and our expectations. It also establishes our standards of conduct in a number of specific areas, including:

- employment practices and employee rights;
- respect for human rights;
- compliance with law, generally;
- conducting business with integrity, fairness and respect;
- fair dealing, including prohibition on giving or receiving bribes;
- accurate financial reporting;
- standards of conduct for senior financial officers;
- prohibition on insider trading and derivative monetization transactions;
- timely public disclosure of material information;
- compliance with antitrust and competition laws;
- environmental responsibility;
- occupational health and safety;
- management of conflicts of interest;

- protection of employees' confidential information; and
- compliance with our corporate policies

The Code is available on our website ([www.litens.com](http://www.litens.com)) and is posted on our employee intranet in different languages. The Code is reviewed regularly, and proposed amendments must be approved by our senior management. We have also supplemented the requirements of the Code through the adoption of policies in key areas.

## 4.5.2 ETHICS AND LEGAL COMPLIANCE PROGRAM

In order to help our employees, understand the values, standards and principles underlying our Code, we have developed specialized compliance training modules targeting select functional audiences and high-risk regions. In addition to providing training on legal compliance and ethics topics generally, these specialized programs are designed to be interactive and incorporate real-life scenarios and exercises, which we believe amplifies our compliance expectations and resonates more powerfully with participants.

## 4.5.3 LITENS ACTION RESPONSE LINE

We maintain a confidential and anonymous Action Response Line which is overseen by our Legal Counsel. The Response Line is available for employees and other stakeholders such as customers and suppliers to make submissions by phone or online at any time. Submissions are received and tracked. Reports to the Response Line are reviewed and when appropriate, an investigation is conducted. Our social audits also review these investigations to ensure consistency of discipline.



# 4.6 Data and Cybersecurity/Privacy

## 4.6.1 ENTERPRISE CYBERSECURITY

We are committed to ensuring that we fulfill the cybersecurity requirements of our customers. In addition, we ensure that we comply with all emerging governmental rules and regulations regarding cybersecurity or privacy regulations such as The General Data Protection Regulation (GDPR), which directly affect cybersecurity requirements. Our selection process for third party (e.g. Cloud-based) services includes a due diligence approach that ensures that such services are evaluated and aligned with our overall approach to cybersecurity.

We regularly evaluate and adjust our information security management system implementation strategy based on risk assessments, continuous monitoring and periodic independent cybersecurity maturity evaluations.

We have processes in place to ensure that our IT systems receive appropriate upgrades, including patching and other required remediation in a timely manner.

## 4.6.2 PRIVACY

Litens is committed to preserving the privacy of our stakeholders in accordance with applicable laws. Our Code articulates our approach to the privacy of our employees and protection of their personal information. We only collect, use and disclose personal information for legitimate business or employment purposes or if required by law or with an individual's consent. In addition, like any other asset, confidential information, which includes trade secrets and proprietary information is a valuable part of our business and we aim to safeguard it.



# 4.7 Supply Chain Responsibility

## 4.7.1 SUPPLIER CODE OF CONDUCT

We have introduced a Supplier Code of Conduct and Ethics (“Supplier Code”) which outlines the principles we apply internally at Litens through our Code, as well as expectations we have for every company that supplies goods or services to Litens, relating to, among other things:

- ethical business conduct, such as compliance with antitrust/competition, anti-corruption/bribery and export controls laws; conflict minerals reporting; avoidance and reporting of conflicts of interest; and protection of intellectual property and confidential information;
- employee rights, including those rights set out in our Employee’s Charter, Global Working Conditions and Global Labour Standards Policy; and
- environmental responsibility and compliance.

The Supplier Code forms an integral part of our overall contractual relationship with our suppliers. We expect the standards set out in the Supplier Code to be met by our suppliers, even in jurisdictions where meeting such standards may not be considered part of the usual business culture and a failure to do so can result in the termination by Litens of the supply relationship. The full text of our Supplier Code is available on our website ([www.litens.com](http://www.litens.com)).

We continue to support and participate in industry efforts to develop common standards relating to business ethics, environmental standards, working conditions and employee rights. We will continue to engage with our suppliers to raise awareness of the importance of sustainability in our supply chain.

## 4.7.2 GLOBAL WORKING CONDITIONS IN OUR SUPPLY CHAIN

We expect that our supply chain will adhere to our Supplier Code, which prohibit the use of child, underage, slave or forced labour. Our Global Working Conditions are an integral part of our supplier package that emphasize the importance of maintaining global working conditions and standards that result in dignified and respectful treatment of all employees within all our global operating locations, as well as those of our supply chain. A failure by any of our suppliers to comply with its terms can result in the termination by Litens of the supply relationship.

## 4.7.3 SUPPLY CHAIN MANAGEMENT

### 4.7.3.1 General

Our supply chain management group focuses on a number of elements that we believe are integral to world class supply chain management, such as: key performance indicators (KPIs); specific roles and responsibilities; processes and standards; training; and risk management. The global KPIs we use are focused on purchasing savings, supplier ratings, supplier quality measurements and supplier diversity. We also maintain a strong financial and commercial risk management process focused on supplier quality and financial risk. We use cross-functional sourcing teams to help ensure compliance with our internal standards when we place new business within our supply base. In order to promote awareness of the key elements of our supply chain risk management program, including the requirements in our Suppliers Code, we provide training program on an ongoing basis to internal purchasing employees.



### 4.7.3.2 Enhancing Transparency into Our Supply Chain

We are also monitoring emerging supply chain regulation, including the German Supply Chain Due Diligence (Lieferkettensorgfaltspflichtengesetz (LkSG)) (the “German Act”) which imposes a duty on companies to make reasonable due diligence efforts to determine if there are violations of human rights or violations of environmental obligations in their own business operations or in the their supply chain. In addition, Litens is monitoring developments related to the publication, in February 2022, of a draft E.U. Corporate Sustainability Due Diligence regulation that, like the German Act, would mandate supply chain due diligence relating to human rights and environmental matters.

### 4.7.3.3 Supplier Reviews

We use our Supplier Scorecards to provide ongoing monitoring and assessment of suppliers. Among other criteria, our Supplier Scorecard tracks whether suppliers have certain industry recognized environmental certification, such as ISO 14001. No suppliers were terminated in 2021 as a result of a violation of working conditions or human rights.

### 4.7.3.4 Supplier Diversity

To support the supplier diversity efforts, we participate and provide our Minority and Women owned business spend numbers to our customers as required. Our supplier diversity policies are in accordance with the regional and global legal boundaries.

### 4.7.3.5 Conflict Minerals Reporting

Consistent with the approach taken by our customers, suppliers and other fellow members of the Automotive Industry Action Group with respect to “conflict minerals”, we are engaged in an annual process of determining whether any products we make or buy contain such “conflict minerals”. We continue to engage with our suppliers to increase awareness and accuracy of “conflict minerals” reporting requirements.



## SPOTLIGHT ON PLANET-FRIENDLY OPERATIONS

# Lighting the Way with a Sustainable Mindset



Solar panels on the roof is just a sign of Litens commitment to sustainability. Solar panels were installed on the roof at our China plant.

For 2022 and beyond, the plant intends to expand its use of solar. But most importantly, cultivating a sustainability mindset among employees is the biggest goal.



# 4.8 Contributing to Communities in Which we Operate

## 4.8.1 COMMITMENT TO COMMUNITIES AND SOCIETY

Litens recognizes the importance of giving back to society. We have a long history of supporting many global social and charitable causes, primarily in the communities around the world in which our employees live and work. Most of our donations and sponsorships are focused on:

- Employee and Community Health and Wellness;
- Technical and Vocational Training/Education;
- Calamity stricken regions;
- Culture; and
- Youth Sports

We encourage and support our employees who devote their time, energy and passion to making a positive contribution to their workplace and communities through direct giving, special events, fundraising and volunteer work.

In order to further support and enhance employee fundraising efforts, we maintain a Matching Program, which matches donations by Litens employees to qualified, non-profit initiatives up to specified amounts. Since the beginning of the program, Litens has matched the funds raised by our employees and have donated to numerous projects globally.



Some examples of charities that Litens donated to are as under;

- Jack.org Mental Health Suicide Prevention
- Canadian Red Cross
- Operations Veteran Program
- Herizon House (a shelter for abused women and their children)
- "Sound Update" NGO
- "Little People" NGO (for kids with cancer)
- Rotary International
- "Banat Village" NGO
- "Timisoara 1989" NGO (a shelter for homeless/disabled people)
- Suzhou SIP Mother Tang's Charity Center for poor/disabled children
- Brazilian Society of Research and Assistance for Craniofacial Rehabilitation



# Sustainability Metrics



# 5.1 Energy Management and Emissions

## 5.1.1 ENERGY

Energy management data is set out below.

2021	
Aggregate amount of energy consumed by Litens	104,116.57 GJ / 28921.27 MWh
Energy intensity relative to Sales is as follows:	
2021	
Energy Intensity (MWh/Sales (CDNm))	24.01 MWh / CDMm

In 2021, Litens global sites implemented various projects to reduce energy consumption.

**Litens Romania** - Replacement of fluorescent tubes with LED projector panels all over the plant, resulting in 28% reduction of energy consumption.

- Implementation of smart light system in warehouse in 2022, resulting in 1% reduction of electricity consumption.
- Implementation of rooftop solar panels (400 KWh) is planned to be completed in 2023.

**Litens China** - Solar panels installation with installed capacity of 1MW - feasibility study was completed. Project expected to be completed in 2022.

**Litens India** - Contact sensors were added to air gauges to prevent air losses resulting in saving of 300 KWh per year.

**Litens Brazil** - In partnership with SENAI, a system for air leak detection was developed resulting in energy savings.

- Existing lamps were replaced with LED lighting in the warehouse resulting in improved lighting and energy savings of 115.4 KWh per month.

**Litens Germany** - Rooftop solar panels installation (750 KWh) is planned to be completed in 2022.

## 5.1.2 EMISSIONS

Energy consumed can be converted to CO<sub>2</sub> emissions based on regional conversion factors. In order to help us and our stakeholders better assess trends related to the emissions we generate, we track emissions “intensity” on the basis of total sales. These intensity metrics assist us in determining whether we are becoming more efficient by normalizing emissions on a per dollar of sales. The data for Scope 1 & 2 emissions, together with intensity metrics is set out below.

2021	
Scope 1 & 2 emissions (metric tons)	6527.44
Emissions Intensity (CO <sub>2</sub> metric tons/\$ Sales)	0.0000054



# 5.2 Water and Waste Management

## 5.2.1 WATER

DESCRIPTION	2021
Water withdrawals (ML)	26.87

## 5.2.2 WASTE MANAGEMENT

Waste reduction and scrap elimination are important considerations in our manufacturing activities, including as part of our efforts to achieve World Class Manufacturing objectives in our facilities globally. All facilities are focused on the complete diversion of non-recyclable waste from landfill, and the waste is sent to incineration where available.

Waste data is set out below:

DESCRIPTION	2021
Aggregate amount of waste generated from manufacturing by Litens	2511 t

# 5.3 Environmental Remediation

The aggregate costs incurred in complying with environmental laws and regulations, including the costs of clean-up and remediation, have not had a material adverse effect on Litens to date and are set out below.

DESCRIPTION	2021
Annual remediation expenses	NIL



## 5.4 Fuel Efficiency

Our product strategy includes as a core element the supply of product solutions which support our customers' objectives of increased fuel efficiency and reduced vehicle CO<sub>2</sub> emissions. We do not currently track total revenue from products designed to increase fuel efficiency and/or reduce emissions.

## 5.5 Materials Sourcing

The SASB Auto Parts Standard identifies critical materials as defined by the U.S. National Research Council (NRC) of which cobalt, magnesium, tantalum and tungsten are most relevant to our products. We do not purchase such materials in their raw form, however, they may be present in components and sub-assemblies that we purchase. We address strategic risks regarding critical materials with more limited supply and key commodities/raw materials in a number of ways, including: diversification of suppliers; carrying excess inventory, where appropriate; and designing and engineering our products to minimize the use of scarce/ limited materials, where not constrained by customer specifications. With respect to reputational risk related to critical materials, we maintain a conflict minerals program, including an annual process of determining whether any of our products contain conflict minerals. We also report to requesting OEM customers with respect to conflict minerals.



# 5.6 Competitive Behaviour

Litens policy is to comply with all applicable laws, including antitrust and competition laws. Our Corporate Ethics and Compliance Program is described in “Section 4.5 – Corporate Ethics and Compliance” of this Sustainability Report.

	2021	2020	2019
Total amount of monetary losses incurred as a result of legal proceedings associated with anti-competitive behaviour regulations	Nil	Nil	Nil

# 5.7 Health & Safety

We are committed to providing a safe and healthful workplace for our employees. This commitment is fulfilled through a regular program of health and safety audits and inspections of our global facilities. In connection with our health and safety program we track the frequency and severity of workplace accidents and conduct post-accident reviews to develop action plans to reduce/eliminate similar accidents in the future.

DESCRIPTION	2021
Accident Frequency Rate <sup>(1)</sup>	1.45
Accident Severity Rate <sup>(2)</sup>	19.94

Notes:

(1) Frequency 1.0 translates to 1 injury or illness per 100 employees working 40 hours/week, 50 weeks/year.

(2) Severity 10.0 translates to 10 lost workdays per 100 employees working 40 hours/week, 50 weeks/year.



# 5.8 Diversity

Diversity within our employee population is important to us and we strive to create an inclusive work environment throughout our company. As part of our efforts to promote an inclusive workplace, we track metrics relating to gender diversity in our workforce.

DESCRIPTION	2021
Percentage of global employees who are women	30%

# 5.9 Reporting

In addition to this Sustainability Report, we participate in CDP (formerly Carbon Disclosure Project), a not-for-profit project designed to provide investors with information relating to corporate GHG emissions, water use and perceived corporate risk due to climate change.

We also continue to monitor the acceleration of climate/ sustainability reporting initiatives by regulators and standard setters, including:

- the European Union’s Corporate Sustainability Reporting Directive (CSRD);
- the International Sustainability Board (ISSB) publication of a climate-related disclosures prototype; and
- initiatives by securities law regulators to mandate climate disclosure, including a recent proposal from Canadian securities regulators, and proposed rule changes from the U.S. SEC.



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