This first edition of the MARELLI Sustainability Report marks the beginning of a new phase, with the two companies Calsonic Kansei and Magneti Marelli united since May 2019, forming one new industrial entity, MARELLI.

As MARELLI, the new global entity is a leading player in the industry, positioned as one of the world’s largest independent automotive suppliers, with 62,000 employees and 170 facilities and R&D centers across the world.

Within this publication we host the sustainability reports of Calsonic Kansei and Magneti Marelli for the period 2018. During this period each company operated as a separate entity from what is now the MARELLI group, with different reporting boundaries, metrics and standards of reference. For Calsonic Kansei, the reporting period within this report covers 1 April 2018 – 31 March 2019. For Magneti Marelli, the reporting period covers 1 January 2018 – 31 December 2018.

Although integration of our two companies has only just begun, we chose to present the reports in one for the purpose of transparency and ease of reference for our many stakeholders. Through the reports we aim to display our commitment to the ongoing compliance and investment in sustainability practices under the global brand, MARELLI.

As part of the ongoing integration of MARELLI, we will ensure progressive alignment of strategies, metrics and reporting methods. In future years, we are excited to report one single MARELLI sustainability policy and commitments.
BUSINESS THROUGH THE COMBINATION BUILDING A LONG TERM, SUSTAINABLE Top Commitment

many stakeholders across the world within the many scale, better serving our customers, employees, suppliers and MARELLI, we can compete even more effectively on a global

2019 marked a huge milestone for our company as Calsonic

A new dawn: for the industry and us

2019 marked a huge milestone for our company as Calsonic

Utilizing our global presence to be a green pioneer

As a leading production company with a large number of manufacturing plants across the world, we are well placed to

The automotive industry is undergoing unprecedented change. Advances in technology and changing consumer demand fueled by environmental considerations are driving the development of sustainable, socially responsible vehicles. As a global automotive supplier, inspired by our strong heritage in innovation and Monozukuri² we take our role in contributing to a sustainable society very seriously. Through ongoing investment in sustainable technologies and innovation, we see a real opportunity to help shape the future of mobility.

Leading in sustainability with product portfolio, design, and skill

At the MARELLI Group, we recognize that our own product portfolio must provide a strong mix of established and new technologies to meet the needs of the evolving environment. Our existing competitive product line will continue to prove critical going forward and we will complement this through ongoing investment in research and development in order to respond to meet the changes in consumer demand. I believe that, in particular, electrification of the powertrain and the pursuit of zero-emission vehicles will gather pace. This is an area where we are very confident that we can make a real difference in leading the transition to a greener future. Autonomous driving is another key trend likely to accelerate in the years ahead. The MARELLI Group can support the delivery of safe, comfortable autonomous driving for people with various needs and preferences through our cutting-edge technologies, human centered designs and comprehensive system solutions. Our safety-related technologies will also be integral to this entire development.

Sustainability trend driving push for clean, shared cars

Central to what is considered the once-in-a-century transformation of the global automobile marketplace is the development of Connected, Autonomous, Shared and Electric (CASE) mobility. Consumer attitudes towards the purpose, value, and use of cars is changing. One of the critical factors in this shift in mindset is prompted by a growing need to address climate change caused by CO₂ emissions and more demand for shared mobility and connectivity.

Leading in sustainability with product portfolio, design, and skill

At the MARELLI Group, we recognize that our own product portfolio must provide a strong mix of established and new technologies to meet the needs of the evolving environment. Our existing competitive product line will continue to prove critical going forward and we will complement this through ongoing investment in research and development in order to respond to meet the changes in consumer demand. I believe that, in particular, electrification of the powertrain and the pursuit of zero-emission vehicles will gather pace. This is an area where we are very confident that we can make a real difference in leading the transition to a greener future. Autonomous driving is another key trend likely to accelerate in the years ahead. The MARELLI Group can support the delivery of safe, comfortable autonomous driving for people with various needs and preferences through our cutting-edge technologies, human centered designs and comprehensive system solutions. Our safety-related technologies will also be integral to this entire development.

Utilizing our global presence to be a green pioneer

As a leading production company with a large number of manufacturing plants across the world, we are well placed to make significant steps towards greater sustainability. As part of our integration work, we are conscious of the need for a clear vision and implementation program for how we want to improve our environmental performance, including via purchasing and logistics. As a combined company, we are reviewing our environmental strategies to ensure we set ourselves progressive targets helping to tackle climate change related issues through recycling, resource efficiency, reduction of pollutants, and protection of ecosystems.

Now is the time to ask ourselves what we, as the MARELLI Group, can further do to raise our environmental performance. CO₂ emissions and their impact on climate change is among the most critical issues not only for our industry, but also for humanity. Addressing it is therefore of key interest to our stakeholders, and increasingly, our customers.

Today, we consider sustainability as impacting not only industry trends, but also a new set of political priorities that may affect entire social systems in many parts of the world. We need a growth strategy and a mindset that incorporates this development. I do not see these changes in our relationship with the environment and each other as something we should try to avoid or merely react to; rather they represent a new set of innovation drivers that will help separate winners from losers in the future global automotive market.

We want to be an industry leader, not a follower. For that, we must clearly communicate our vision and future direction clearly, both internally and to communities. Sustainability will form an important part of our combined group strategy as we move forward in future years. The vision we project, targets we set, and plans we implement will be important signals showing how we intend to contribute to fundamental and needed changes in society. Consistent with our current approach, MARELLI will align its own Sustainability activities to the United Nations’ Sustainable Development Goals.

I believe that there should be no compromise between the global growth strategy of the MARELLI Group and the move towards safer, cleaner, zero-emissions vehicles. It is this message that, with hope and excitement, I share with my colleagues, business partners, customers, and society. While we keep driving innovation in our manufacturing processes to achieve state-of-the-art environmental performance, we can grow our business with products and services that help realize a more sustainable form of mobility for the world.

A new dawn: for the industry and us

2019 marked a huge milestone for our company as Calsonic

MARELLI becomes one of the top 10 largest independent automotive suppliers in the world. Our aim is to build on this position in the coming years to create a strong and sustainable business, delivering long-term value to all of our stakeholders.

The automotive industry is undergoing unprecedented change. Advances in technology and changing consumer demand fueled by environmental considerations are driving the development of sustainable, socially responsible vehicles. As a global automotive supplier, inspired by our strong heritage in innovation and Monozukuri² we take our role in contributing to a sustainable society very seriously. Through ongoing investment in sustainable technologies and innovation, we see a real opportunity to help shape the future of mobility.

Sustainable Development Goals (SDGs)

* Based on Fiscal 2018 figures. Converted at an exchange rate of ¥1 = $1.25
* Monozukuri refers to the creation of value in all respects, through manufacturing fine products and providing excellent services in a timely manner to meet customer expectations.
Calsonic Kansei Sustainability Report
Summary

A PART OF

2019
Creating New Value through Sustainability

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At a Glance

**Consolidated Sales**

8,921 Billion Yen

**Share of Consolidated Sales by Region**

- Japan: 36.6%
- Americas: 27.5%
- Asia: 24.3%
- Europe: 11.6%

**Number of Employees (Consolidated)**

22,382

**Number of Employees by Region (Consolidated)**

- Americas: 6,238
- Asia: 6,819
- Europe: 2,367
- Japan: 6,958

**R&D Bases**

9 Countries, 14 Bases

**Production Sites**

15 Countries, 81 Bases

**Consolidated R&D Expenditures**

315.4 Billion Yen

**Customer Auto Manufacturers**

18 companies
Sustainable Value Creation Process

We have addressed solutions to social issues related to mobility by using the diverse technologies we have cultivated through the manufacture of automotive components. Going forward, leveraging our deep knowledge of the mobility market, we will promote innovation and, through the creation of value that is distinctive to our Group, contribute to realizing a sustainable society.

Social Issues

Major Trends in Mobility Markets

Our Technology Domains

Medium-term Business Plan

Value Provision

SDGs Targeted in Business Strategies

Sustainable Value Creation Process

We have addressed solutions to social issues related to mobility by using the diverse technologies we have cultivated through the manufacture of automotive components. Going forward, leveraging our deep knowledge of the mobility market, we will promote innovation and, through the creation of value that is distinctive to our Group, contribute to realizing a sustainable society.

Risks and opportunities based on social issues and major trends in the mobility market

E : Environment
- Restriction of fossil fuel mobility due to climate change
- Tight raw material supply and demand due to resource depletion
- Support electrification as a countermeasure to climate change and atmospheric pollution
- Development of products that will contribute to improved fuel efficiency and resources recycling

S : Social
- Shift toward public transport due to population growth and urban concentration
- Decline in labor force due to population aging
- Action toward highly safe autonomous driving technologies
- Safety measures for connectivity
- Improved quality of workplace safety, productivity improvement, and diversity

G : Governance
- Information security threats
- Scandals due to dysfunctional internal control
- Improved external evaluation through the establishment of voluntary regulations and enhanced voluntary regulations

We have identified the top priority CSR issues that we will engage in, based on the risks and opportunities.

Management Assets

<table>
<thead>
<tr>
<th>Intellectual property</th>
<th>Human Resources</th>
<th>Degree of value penetration relating employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>R&amp;D expenditures</td>
<td>Number of consolidated employees</td>
<td>Global avg.</td>
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<tr>
<td>31.54 Billion Yen</td>
<td>22,382</td>
<td>3.18 / 4 Points</td>
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</table>

Customer Assets

<table>
<thead>
<tr>
<th>Customer assets transfers</th>
<th>Customer satisfaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>18 Companies</td>
<td>3.44 / 5 Points</td>
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</tbody>
</table>

Customer satisfaction

<table>
<thead>
<tr>
<th>Production sites</th>
</tr>
</thead>
<tbody>
<tr>
<td>81 sites</td>
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</tbody>
</table>
Medium-term Business Plan

We aim to be a “System Solution Provider” focused on cabin innovation and energy management with the DNA of technology innovation and a passion for Monozukuri.

Financial target: Value-added sales of 750 billion yen (Sales, excluding parts specified by and supplied from completed vehicle manufacturers).

We will continue to further refine our domains of cabin innovation (cabin space / human-machine interface) and energy management (energy efficiency / environmental performance). We will aim at generative decision-making and clarification of responsibilities, achieve speedy decision-making and clarification of responsibilities, and build a resilient company, and contribute to the achievement of a sustainable society.

Growth Strategy: 3 Pillars

1. Develop new customers
   In addition to promoting the maintenance and expansion of business with Nissan Motor, our main customer, we will also diversify our customer base and expand sales. We will create a specialized team for expanding sales and steadily advance step by step based on concrete milestones.

2. Develop new products “unique to our company”
   We established a future product planning office for the purpose of strengthening our two domains of focus and will promote the development of new products that have appeal “unique to our company”. We will actively propose products and technologies that anticipate the market and customer needs.

3. Realize Dantotsu Monozukuri
   Our aim is a production system that realizes the value of products and services that satisfy customer needs at the highest level of efficiency. Specifically, we will promote automation and in-house production that increases cost competitiveness, on-site management that brings stability to quality, and initiatives for new production technologies.

State of Progress

In Fiscal 2018, we reviewed our management structure and transitioned to Business Unit entities. Through these changes, we will achieve speedy decision-making and clarification of responsibilities, a strong spirit of enterprise and flexible portfolio management, and achieve the transformation into a company that finds value in quality and speed.

Business Foundation: CSR Activities

In light of the Medium-term Business Plan, the CSR medium-term plan was updated in Fiscal 2018 to become the plan for up to Fiscal 2021. Based on this plan, which reflects the latest demands from stakeholders, we will pursue activities throughout the group as a global company, and use the PDCA cycle to manage progress.

CSR Vision

Toward the goal of remaining an honest and trusted company, we strive to create a rewarding workplace, develop CSR-aware employees who tackle social issues, build a resilient company, and contribute to the achievement of a sustainable society.

Priority Areas

• Improving Employee Awareness
  • Coexisting with Society
  • Improving Corporate Value

Applying ISO 26000 (International guidance on social responsibility)

Regarding “Coexisting with society”, we set a target for reducing our CO₂ emissions based on SBT. We will achieve this target through thorough energy conservation activities and introducing renewable energy.

As an activity to prevent global warming, we will promote CO₂ emission reduction activities based on SBT.

With intensive energy-saving activities & introduction of renewable energy, we aim to reduce CO₂ emissions.
Our Business Units and Sustainability

Interior Experience Business Unit

The Interior Experience Business Unit provides not only instrument panels and other interior products, but also cockpit modules (CPMs) that contain these products to provide an approach of meticulous support to its customers. In CPMs, everything from styling to layout design, component design, process design, production, and supply chain management, which are domains that are usually tackled by the car makers themselves, can be performed in-house. CPMs are assembled alongside the car maker’s production line. This has enabled them to shorten the vehicle production line and build multiple models on the one line, contributing to improved productivity in production. Since we are providing the CPMs, the car makers have been able to cut down on man-hours and allocate more resources to the development of CASE, which are the megatrends of the automotive industry today. This brings about enormous benefits for customers.

The basic concept of the cockpit module lies in improving efficiency. Improving the efficiency of the production system in turn contributes to reducing the burden on the environment. With the progress being made in vehicle electrification and autonomous driving, we are required to propose the vehicle interiors of the future. Precisely because we have such an extensive knowledge of the structure of cockpits, we are able to propose new values in what can be installed. This could be described as one of our major strengths.

New Value Propositions that Only Our Exhaustive Knowledge of Cockpits Can Provide

Achieved a weight reduction of 30% in the cross-car beam by changing to aluminium and 30% in the instrument panel lining with the use of foam molding.

Innovation that Supports the Evolution of Cars

We declared “cabin innovation” in our medium-term business plan as our response to the CASE initiatives being pursued by our customers, and by fusing new technologies together with the technologies cultivated in our wide range of cabin-related products, we aim to realize safe, secure, and comfortable cabin spaces that will bring added value to the new mobility society. In particular, a key point is to pursue spaces that support autonomous driving, and this means cars that can be driven safely, even by drivers of more advanced age, and interior technologies that support such cars. In the area of connectivity as well, we want to create new value by providing safe, comfortable cabins for a new kind of car life, such as data confirmation functions, and new ways of enjoying time inside the car, and we hope to connect this to new opportunities for growth.

In the interiors area, weight reduction, resources conservation, and other ways of reducing environmental burden will be a major theme. Lighter, thinner, material modifications, less waste in the use of materials, and reduction in quantities used through more efficient plastic molding and simplification of structure...these are the areas to which we are devoting our efforts. Thinking about production-focused easy to produce structures in the design stage will also help reduce the burden on the environment. These initiatives come under Goal 3, health, Goal 7, clean energy, and Goal 12, responsible production, in the SDGs.

Creating New Value in the Electronics Domain

The Electronics Business Unit engages in business in a very wide range of domains in the areas of human-machine interfaces (HMI) and body electronics. A major feature of our business is that, instead of revolving around products, our business extends across the entire electronics domain, creating value that does not currently exist. Against the background of the CASE megatrends in the automotive industry, we see major opportunities for the blossoming of the car electronics technologies we have built up to date. These trends include a great many essential values, including safety and security in the mobility society, and enriched lifestyles. It is the mission of our business unit to accurately identify those values, build new business models, and create new value that will contribute to people and society.

To deal with the risks that accompany CASE, in 2017, we established a cyber security company that specializes in automobiles. Called White Motion, this company provides cyber security solutions with the reliability of motion that is vital to vehicle in mind. We believe that initiatives to prevent the threats to automated driving and connectivity and to increase their reliability are the social responsibility of automotive component manufacturers dealing with CASE.

Safety and Security Supported by Electronics Technology

Our business unit hopes to contribute to society by supporting the era of transformation of the mobility society with safety and security from the HMI and body electronics domains. One example is a product called the Occupant Detection System (ODS). Airbags are important in life-threatening accidents, but when infants and small children are on board, the activation of the airbag itself can be dangerous. ODS is a device that detects the occupant of the passenger seat to determine whether or not it is safe to activate the airbag and controls its activation accordingly. The current system does this based on the weight of the occupant, but in future, we hope to increase the accuracy of such determinations by using cabin monitor cameras and image recognition technology to detect the occupant’s position. These technologies could also be adapted to detecting if a driver is dozing at the wheel, and the same camera image information could be used to control the air-conditioning and create a comfortable cabin environment. In the area of lithium-ion batteries, we will use battery status estimation technology to monitor and control the status of individual battery cells. As well as delivering safety and security, this will contribute to greater energy efficiency and to the effective use of resources.

Our aim is for a world in which, in the age of autonomous driving vehicles, computers will take the place of drivers in achieving safety. To respond flexibly to such a world, in the area of detecting dozing at the wheel, as well as our own original research, we are participating in joint demonstration testing with the Japanese government and in many joint research projects with universities.

Meanwhile, as well as responses to CASE, with the upward trend in the use of batteries and motors in cars, reducing the use of rare metals and rare earth minerals such as lithium, copper, and gold has become an important management issue. We consider proactive initiatives aimed at a circular society to be essential. By pursuing these initiatives, our business unit will contribute to Goal 3, health, Goal 7, clean energy, and Goal 12, responsible production, in the SDGs.

Relevance to the SDGs

3: We will create safe, secure interior spaces by developing cabins that are easy even for drivers of advanced age to operate and reducing the use of VOCs inside the cabin.

7: We will increase vehicle energy efficiency by reducing the weight of components, thus contributing to reduced CO2 emissions.

12: We will contribute to reducing the burden on the environment through highly productive Monozukuri across the entire supply chain.

3: As well as reducing traffic accidents through electronics technologies, we will contribute to the safety and security of the mobility society by strengthening cyber security.

7: We will contribute to the improvement of energy efficiency with electronics technologies that support EVs.

12: We aim to build a circular society by a manufacturer that uses rare metals and rare-earth minerals.
The strength of our business unit lies in our highly competitive will make a major contribution to reducing humanity's burden on the large and growing markets for electric vehicles. At the same time, we will make a major contribution to reducing humanity’s burden on the environment. The strength of our business unit lies in our ability to respond to the popularization of electric vehicles that is anticipated in the future.

Supporting the Transition to Electric Vehicles

We are moving toward a sustainable, low-carbon society, and the electrification of vehicles is a key aspect of this transition. At Electric Powertrain Business Unit, we are in a strong position to take advantage of this trend and stake out a dominant place in this growing market. I believe our flexible thinking and superior technological strengths will lead to successful growth strategies in China and Europe, which are large and growing markets for electric vehicles. At the same time, we will make a major contribution to reducing humanity’s burden on the environment.

Contributing to a Safe, Secure and Low-carbon Society

One of the most vital themes in sustainability is climate change. Electric vehicles can help reduce some of its causes, including CO2, SOx and CO emissions, and they can contribute greatly to the reduction of air pollution. From the perspective of energy diversity as well, they are attracting attention because of their ability to use renewable energy sources. Our strength lies in both the quality and the breadth of our product range that supports electric vehicles. As everything becomes interconnected, a major concern in the mobility society is potential threats to cybersecurity. This is a crucial issue, and it is important to take a broader perspective, realizing that the problem does not just affect electric vehicles alone. It encompasses mobility, communications, the internet of things—the entire connected society.

In our business unit, we are serious about reducing the burden on the environment. Therefore, we are determined to contribute to the UN’s Sustainable Development Goals—in particular Goal 11, technological innovation; Goal 11, sustainable communities, and Goal 12, responsible production. I believe a core theme of sustainability is mobility. The efficient supply of goods and services in the automotive industry, with its extensive range, has a major impact on society. Therefore, reducing the environmental burden from transport, which directly affects corporate activity and daily life, will contribute to the sustainability of our environment and of society as a whole.

My vision is for our company to become a leader in e-mobility by managing and controlling power in electric vehicles and perfecting the optimization of energy flows. At the same time, this will be a powerful contributor to solving a variety of social issues. By innovating to develop superior new products and harnessing our superior Monozukuri to make them, we offer electric vehicle components that connect the technologies we have accumulated with our intentions for the future. In so doing, we will continue to meet the challenge of building a sustainable society.

Global Supplier that Meets the Requirements of Society and the Expectations of the Car Markers

Steady progress is expected in the electrification of vehicles going forward. However, given the time that will be needed to conquer challenges such as infrastructure development and electricity supply, the popularization and expansion of these vehicles is unlikely to be rapid. Looking at the long-term up to 2060, there may be isolated regions in which they do become popular, but electric powertrains equipped with internal combustion engines (ICE) are predicted to be the mainstay. Meanwhile, against the backdrop of the automotive industry’s CAFE regulations, with their survival at stake, as well as exploring various business schemes, the only options for the car makers are to pursue collaboration and cooperation with each other and with partners in other industries, and to concentrate the allocation of their limited resources into these areas. In terms of the exhaust emissions of ICE-equipped electric powertrains, this will give global suppliers such as us more opportunities to shine.

Environmental laws and regulations related to exhaust emissions, fuel consumption, and noise will become increasingly stringent. However, this actually presents growth opportunities for suppliers that have the ability to meet such stringent environmental requirements. So that we can continue on our path as a global comprehensive automotive supplier and to respond quickly to change, we have always provided feedback into development strategies that look five and ten years into the future. We have established systems that allow us to respond flexibly and speedily to environmental regulations and market developments such as CASE. As well as conventional systems, we will work on developing innovative products that anticipate the future and propose solutions that will exceed the expectations of the car makers, which we hope will lead to major business opportunities.

MBE Development and One-team Monozukuri Activities

Our exhaust system is a combination system consisting of hot products (exhaust manifold and catalytic converter), cold products (muffler box, front and rear pipes), and tailpipe. The main functions of this system, which extends under the floor from the engine room to the rear of the vehicle, are to purify exhaust gases, muffle noise, and dampen vibration. The system also needs to have sufficient durability and reliability even in harsh conditions, such as high exhaust temperatures, inferior fuel, salt damage, and poor roads. Meanwhile, the pace of development by car makers continues to increase, and virtual development and support for global platforms are progressing. Under these circumstances, to clear the required product specifications, shorten development cycles, and improve quality, we are actively incorporating Model Base Engineering (MBE) development. With this development approach that entails breaking down the functional requirements (in this case, the vehicle requirements) into the functional requirements of each product and efficiently conducting analysis, design, and verification of system requirements, our strength lies in our ability to balance conflicting phenomena at a high level and achieve high degrees of functionality, performance, and quality in compact, lightweight products. We also apply a variety of development tools to engage directly in the process from design concept to trialing, to prevent having to redo development.

Reducing the substances that cause air pollution is one mission of the Green Technology Systems Business Unit, and we are engaging proactively in developing new, innovative products that will accommodate the increasingly stringent environmental regulations of the future. We are pursuing simultaneous engineering, in which design, production engineering, the manufacturing plant, and suppliers work together from the initial stages of development. Based on 5G methodological (genba, the actual place or source of the problem, genbusu, the actual article, genjitsu, the facts, gen, fundamental principles, and genoku, the rules), each division contributes its respective knowledge and ingenuity in a spirit of friendly competition in the pursuit of Monozukuri that will raise the competitiveness of our products and contribute to reducing the burden on the environment. These initiatives equate to Goal 3, health, Goal 7, clean energy, and Goal 11, sustainable communities, of the SDGs.
**Thermal Solutions Business Unit**

Our business unit is committed to provide solutions for ICE (Internal Combustion Engine), HEV (Hybrid Electric Vehicles) & BEV (Battery Electric Vehicles) for efficiency improvement, contribution to CO₂ reduction thus creating a better world for current & next generation. For ICE & HEV, we have been providing EGR-C (Engine Gas Recirculation -Cooler), BOC (Built-in Oil Cooler) & CAC (Charge Air Cooler) targeting exhaust gas, transmission oil & intake gas respectively contribution to reduce CO₂ by increasing fuel efficiencies. With the shift in market to electric vehicles, we are working to develop a total thermal management system for batteries. In our business unit, we effectively manage thermal energy of the batteries in HEV (Hybrid) & BEV (Battery). This is particularly important in electrically-powered vehicles such as hybrid & full electric. Lithium-ion batteries, which are highly efficient and have high energy density, need to be cooled during charging and hence it also needs to be heated in cold climates when starting the vehicle. Our business unit’s thermal energy management system aims to effectively maintain optimum temperatures for energy efficiency using battery thermal plate & various sensors which will be operated by control module. Effective battery management will also help extend the life of a battery. The auto industry is seeing a significant shift toward increased electrification of the power train and related systems. Making safe, effective use of these electrical energies to the greatest extent possible is essential from the perspective of protecting the global environment. Our strength are the development of solutions needed in thermal management, including the battery, and the technical capabilities and expertise to commercialize those solutions. Through co-development with battery manufacturers, we will respond to the demands of the car makers and society.

**Cabin Comfort Business Unit**

**Monozukuri to Suit the Country or Region**

A vehicle’s climate system automatically regulates air temperature, and quantity, direction independently for the passenger, and other occupants. It is a high-performance air-conditioner that uses sensors and other elements to detect the external temperature and sunlight coming into the vehicle and maintains the cabin temperature at a constant set level. In the Cabin Comfort Business Unit, we build a variety of climate systems for different vehicle models at the request of the car makers.

In our global expansion, different countries and regions require different specifications, but our goal is to develop products that will meet them all. In addition, in line with the trend toward the electrification of automobiles, we are working on the development of heating and refrigerant heat pump system, and electric compressors as its main component. Regas compressors are a component of the air-conditioning cycle. Powered by the engine, they intake and compress refrigerant gas, and send heated, high-pressure gas to the condenser. The electric compressor is designed to meet global requirements, and once perfected, we believe we will be able to produce a climate system for electric vehicles that will meet the specifications of any country and region, including China and Europe. We are aiming to establish a technology that can bring to market by 2021.

However, there is not a global agreement on standardization of the refrigerant due to differences of opinion from country to country. This is a risk for our business unit. Despite that risk, a unique part of our Monozukuri is that our products are zero carbon products made with 100% recycled materials. We want to respond to our customers’ requirements with our Monozukuri and to realize a global zero carbon footprint.

**Providing Solutions to the Increasingly Diverse Needs of Electrification**

The market is moving towards electrification at a very fast pace particularly in China and Europe. As the market grows, competition is also expected to become increasingly intense. We want to deliver new technologies to the battery OEMs in these countries and regions. However, because there are no unified global directions for mobility solutions and regulations, we need to minimize this risk by expanding business in emerging countries as well as in developed countries where automotive markets overall are already very mature. We see this as a challenge not only for the car makers, but also for us.

With the electrification of the powertrain, the role of thermal management has become increasingly complex and comprehensive. There are more and more needs that are not confined to battery cooling. Thermal management, including increasing the efficiency of electrical energy to improve the car’s overall performance, holds the key to solving these challenges. We are a global, comprehensive supplier of automotive systems. Leveraging the strength of our diverse product line coupled with our ability in whole-car management, with our intelligent thermal management that considers the entire vehicle, in a comprehensive way, we are able to respond to the e-mobility.

Electrically-powered vehicles will contribute to the realization of a zero-emissions society. In terms of the SDGs, we believe our business unit can make major contributions to Goal 7, clean energy, Goal 11, sustainable communities, and Goal 13, climate action. By offering technologies and products that support these goals, we will continue our challenge toward realizing a sustainable society.

**Contributing to the Popularization of E-mobility with Intelligent Thermal Management**

Our auto industry is seeing a significant shift toward increase electrification of the power train and related systems. Making safe, effective use of these electrical energies to the greatest extent possible is essential from the perspective of protecting the global environment. Our strength are the development of solutions needed in thermal management, including the battery, and the technical capabilities and expertise to commercialize those solutions. Through co-development with battery manufacturers, we will respond to the demands of the car makers and society.

**Relevance to the SDGs**

1. We will contribute to improving energy efficiency through thermal management.
2. We will contribute to reducing the burden on the environment, such as reducing CO₂ emissions and air pollution in cities with products and technologies that support electric vehicles.
3. We will contribute to alleviating climate change and reducing its impact through thermal management.
4. Contributing to the Popularization of E-mobility with Intelligent Thermal Management

5. Contributing to the Popularization of E-mobility with Intelligent Thermal Management

6. Contributing to the Popularization of E-mobility with Intelligent Thermal Management

7. By improving compressor efficiency, we will raise the combustion efficiency of the engine, contributing to improved fuel efficiency and better efficiency of energy use.
8. By taking the environment into consideration in our materials, we will contribute to reducing CO₂ emissions and curbing the generation of waste.
9. Through the provision of climate systems, we will contribute to the mitigation, adaptation, and reduction of the impacts of climate change.
10. Contributing to the Popularization of E-mobility with Intelligent Thermal Management

**Bharat Vennapusa**

Executive Vice President
CEO, Thermal Solutions Business Unit
CEO, Cabin Comfort Business Unit
CSR Policy and Key CSR Issues

CSR Policy

Responsibilities to Stakeholders and Society

Our CSR Policy outlines the responsibilities and policies we promise to fulfill for our stakeholders, with a view to achieving our "Corporate Vision." Based on this policy, each employee contributes to the achievement of a sustainable society by conducting their daily operations with an awareness of social responsibilities and responsibilities for environmental, social, and economic aspects.

Responsibilities to Customers

We aim to be the most trusted parts supplier by responding to the diversified needs and expectations of society and providing high-quality products and services that satisfy our customers.

Responsibilities to Business Partners

We will collaborate with our business partners, who provide us with components and services, as equals, and aim to create mutual improvement and sustainable growth through fair and ethical business practices.

Responsibilities to Employees

We respect the diversity and value of each employee and provide opportunities for them to develop talents that contribute to the company and society, as well as securing a healthy and safe workplace environment. With this approach, we will create a company in which every employee can enjoy a rich life of hope, passion, and pride.

Responsibilities to Employees’ Health and Safety

Based on the basic principle “the health and safety of employees takes precedence over all,” we are committed to creating the safest and most appropriate workplace in the auto-parts industry through the participation of all employees.

Key CSR Issues

We have identified our key CSR issues and KPIs as a concrete action plan for the CSR Medium-term Plan, and are striving to reliably implement the PDCA cycle to achieve them.

In Fiscal 2017, with the announcement of the new Medium-term Business Plan in September 2017 titled Compass 2021, we conducted a review of the key CSR issues that we identified in Fiscal 2015, and aligned them with the rapidly-changing expectations of society and with the new management plan.

Materiality

In the review of our key CSR issues that we performed in Fiscal 2017, we first confirmed the latest trends in social expectations before carefully examining the contents of our initiatives. We then conducted an assessment based on the two axes of (1) stakeholder expectations, and (2) impact on business, based on which we identified 23 key issues for us to address, 15 of which we identified as top priority issues. We also set KPIs for each of those issues, and we are implementing the PDCA cycle based on their respective degree of priority.

ESG Initiatives

With our aim of realizing a sustainable society, we position CSR as the foundation of our management, and to increase our corporate value, we are pursuing initiatives for priority CSR issues from the aspects of the environment (E), social (S), and governance (G).

Environment

- Effective use of resources
- Climate change action
- Prevention of pollution

Social

- Quality improvement
- Maintain occupational health and safety
- Improve customer satisfaction
- Create social values through innovations
- Respecting human rights
- Improve ESG in supply chain
- Promoting diversity
- Promoting work-life balance
- Human resource development

Governance

- Strengthening compliance
- Strengthening information security
- ESG risk management
- Strengthening of business continuity management (BCM/BCP)
- Prevention of corruption and bribery
- Maintenance and disclosure of appropriate tax administration
Environment

To further enhance protection of the environment through our global corporate activities, we revised our Environmental Policy established in 2000, relaunching it in Fiscal 2017 as the Green Policy, which comprises the Basic Environmental Policy and Environmental Action Guideline. Based on this policy, we will all engage in environmental activities as one team and contribute to the realization of a sustainable society.

- Global

Green Policy (Environmental Policy)

Basic Environmental Policy
To contribute to building a sustainable society, each individual shall strive to protect the environment at every stage of our business activities.

Environmental Action Guideline
• Continuously improve current target achieving activities and environmental management systems globally by setting clear plans based on our calculation, social demands, international agreements, regulations and other factors.
• Promote development of environmentally friendly products, with consideration to the lifecycle.
• In addition to making efforts to prevent pollution and complying with laws and regulations, promote reduction of environmental impact caused by corporate activities.
• Enhance communication with stakeholders, promote coordination, understanding and involvement with local communities, governments and municipalities regarding environmental protection.
• Encourage a cross-functional approach to environmental protection and proactively engage with customers and business partners toward reduction of environmental impact in the overall supply chain.

- Global

Green Challenge 2030 (Medium to Long-term Environmental Goals)

We aim to be a corporation in which every individual employee is aware of the environment and think and act accordingly. By 2030, we aim to accomplish our medium to long-term environmental goals to 2030, as the vision we aim to achieve through environmental activities. We will all engage in environmental activities as one team and contribute to the realization of a sustainable society.

- Japan

Climate Change

Approaches to Climate Change

We have positioned responses to climate change as a top priority issue in our environmental activities and engage in those responses at all of our global sites. In our activities, we identify the risks and opportunities for society and corporate activities presented by climate change. In terms of the physical risks posed by climate change, there is the disruption of parts procurement and supply and the suspension of plant operations due to torrential rain and flooding. Meanwhile, we view the leveraging of our technological strengths in thermal energy and electricity energy management, to send out into the world products that will contribute to the reduction of CO² emissions, as a business opportunity. We consider the identified risks and opportunities and the conspicuous environmental aspects and obligations and incorporate them into our activity plans. Based on these plans, we strive to achieve our targets and make continuous improvements.

In Fiscal 2017, we established CO² reduction targets that incorporate the concept of Science Based Targets (SBT), an international initiative that declares CO² reduction targets to achieve the Paris Agreement’s “2°C Target,” and declared those targets in our medium-term business plan, Compass 2021. In addition to the energy conservation activities that we have been engaging in for some time, we are working on the introduction of energy-saving equipment and the adoption of new manufacturing methods that will lead to energy conservation, and will further accelerate the reduction of CO² emissions from our business activities.

Our total CO² emissions in Fiscal 2018 came to 192,000 t-CO². In terms of emission intensity (total CO² emissions/sales revenue), we pursued activities aimed at reduction targets of 17.9% for overseas and 22.5% for Japan compared to Fiscal 2005. The overseas result of a 13.8% reduction fell short of the target, but emissions in Japan in Fiscal 2018 were reduced by 28.0%, achieving the target.

CO² Emissions by Region

- Japan

192,000 t-CO²

My CSR Declaration

Tosami Hanegawa

Keina Sakai

Zhang Yuanyuan
Resources Recycling

Effective Use of Resources

With an emphasis on the effective use of resources, we are engaged in initiatives to reduce waste, achieve zero landfill, and conserve resources. Waste intensity (waste volumes/sales revenue) in Japan in Fiscal 2018 fell by 24.7% due to the pursuit of exhaustive activities for the reduction of process defects and in the horizontal extension of resources conservation best practice, and the result was a 3.9% reduction.

Approaches to Resources Recycling

We are engaged in the recycling of resources such as catalysts used in automobile exhaust purification. We are striving to recycle materials (wash coats) that contain rare metals, which are a precious valuable resource, by efficiently separating and recovering them with the use of dry separation equipment, which is less burdensome on the environment.

Also, leveraging our plastic-forming technologies, we are engaged in the recycling and re-use of the plastic containers used for in-house logistics. This has enabled us to re-use these plastic containers, which previously would have been thrown away, helping to reduce waste and save costs.

Protection of Water Resources

With an emphasis on the protection of water resources and to strengthen our initiatives to reduce water use, we have built a global water use monitoring system. This has enabled us to identify production sites with particularly high usage and problematic equipment. We have also undertaken a range of improvement measures on a global basis, such as updating equipment and adopting efficient water use systems for flushing toilets.

As a result of these initiatives, our global water usage in Fiscal 2018 was 1,085,000 m³ (down 7.2% on FY2017), but water use intensity (water usage/sales revenue) increased by 3.1%. Going forward, we will promote analysis and plan future improvements.

Environmental Pollution and Biodiversity

Thorough Management of Chemicals

We have identified “environmental pollution and biodiversity,” with a focus on chemicals, as top priority issues for environmental protection. This is to ensure that we do not have a serious impact on the environment at all stages, from manufacturing through use to disposal. Also, along with increased environmental awareness in the global community, laws and regulations concerning the reduction and non-use of harmful chemicals are also becoming stricter year by year. With this recognition, to comply with the law and with customers’ requirements, we have adopted basic policies of not using harmful substances as far as possible, of reducing their use and adopting alternatives as much as possible, and managing them properly if they are used. On that basis, we are thoroughly managing the risks for each product, manufacturing, and purchased product (components and sub-materials) at each of our global sites.

Protection of Biodiversity

We consider the protection of biodiversity as a priority issue and are engaging in it with a focus on social contribution activities. In 2018, as an 80th anniversary project, through multiple social contribution activities, we launched a global Green Project for the planting and conservation of mangroves and other trees around the world. As of March 2019, we have planted more than 531,000 mangrove seedlings and 119,000 other trees in 11 countries, such as Kenya, Indonesia, and Brazil, in addition to planting trees in our company plants.

We are also striving to analyze impact in the stages prior to becoming SVHCs*3 under the REACH regulation and to take prompt, appropriate action.

Young Tree-Giving Ceremony for Mangrove Forest Regeneration Project, one of the Green Project activities

Sustainability Report 2019

Sustainability Report 2019
Promotion of Socially Responsible Procurement

With the expansion of our business, our supply chain is also expanding globally. We are sharing our ideas and policies regarding CSR with our suppliers in Japan and overseas as we pursue our procurement activities. In Japan, with the roll-out of our CSR Guidelines for Suppliers, we have asked our suppliers to be thorough in their communication of compliance, including the prevention of bribery. We are also making efforts to ascertain the state of approaches to the priority CSR issues we established by conducting CSR due diligence surveys. Overseas as well, in addition to sharing our CSR policies with our suppliers, we are actively pursuing local procurement from the perspective of securing employment.

Supplier Surveys for Action on Conflict Minerals

In recent years, against a background of the increasingly borderless nature of the economy, there have been growing calls for businesses to establish frameworks for respecting human rights that encompass their entire supply chain. To respond to these demands from the community, we established a Policy for Approaches to Conflict Minerals from the perspective of curbing human rights violations in conflict regions. In line with that policy, we have been conducting supplier surveys and other initiatives since 2012. In Fiscal 2018, 208 companies were surveyed regarding conflict minerals.

<table>
<thead>
<tr>
<th>Year of Survey</th>
<th>Number of surveyed suppliers</th>
<th>Response rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2012</td>
<td>65 companies (pilotary survey)</td>
<td></td>
</tr>
<tr>
<td>FY2013</td>
<td>211 companies (1st survey)</td>
<td></td>
</tr>
<tr>
<td>FY2014</td>
<td>284 companies</td>
<td></td>
</tr>
<tr>
<td>FY2015</td>
<td>284 companies</td>
<td>92%</td>
</tr>
<tr>
<td>FY2016</td>
<td>211 companies</td>
<td>96%</td>
</tr>
<tr>
<td>FY2017</td>
<td>284 companies</td>
<td>96%</td>
</tr>
</tbody>
</table>

Collaboration with Suppliers for CO₂-Reductions

To strengthen our suppliers’ manufacturing systems and relationships of trust, our purchasing divisions provide support to suppliers. In these activities, with the agreement of the supplier, we are introducing site improvement tools and pursuing activities to improve manufacturing sites. Business cases are presented to other suppliers at exhibitions and other events, which we believe will invigorate site improvements at those sites.

In particular, an example of an environmental conservation activity is the "quantification and visualization of the CO₂ reduction effect of site improvements" that we began in 2013. The ongoing implementation of improvement activities contributed to a reduction in CO₂ of approximately 37 tonnes in Fiscal 2018. We plan to continue with these environmental protection activities with our suppliers into the future.

Create Social Values Through Innovations

<table>
<thead>
<tr>
<th>Global</th>
<th>Technological Innovation and Research Development Framework</th>
</tr>
</thead>
</table>

In response to the needs of our customers around the world, we have planted roots in our respective regions and are pursuing product development that reflects our customers’ opinions. We are also working to strengthen our development overseas by leveraging the mechanisms of the Global Product Data Management (PDM) System. This system provides integrated management of engineering information on a global basis to enable us to deliver future value to our customers.

<table>
<thead>
<tr>
<th>Global</th>
<th>Technological Development Based on Domains of Focus</th>
</tr>
</thead>
</table>

Under our Medium-term Business Plan, we have set two domains of focus, namely “Cabin Innovation” and “Energy Management.” Based on these pillars, we will engage in development that focuses on Human-Machine Interfaces (HMI) that have human-centric design, and on the minimization of energy loss. We will develop and deliver products and technologies that contribute to social issues, to create a sustainable mobility society.

Base Technologies that Will Give Rise to Innovative Products

We are actively engaged in product design, and are developing pioneering technologies in areas such as analysis, measurement, and evaluation that will provide a foundation for creating innovative products and supporting even higher product quality. To enhance the quality of development and increase its efficiency, we are undertaking technological development in Computer Simulation (CAE) and Model-Based Engineering (MBE), and using these technologies in a range of situations. We are also developing and making use of CAE and MBE not only for enhancing product performance, but also in manufacturing domains, such as resin flow and plastic working.

Ensuring a High Degree of Product Development Quality

The Testing Research Center, which implements measurement and evaluation technologies, investigates the global market environment in the areas of safety, environment, and comfort technologies from our customers’ perspective, and replicates the market environment through state-of-the-art equipment and testing technologies. In the pursuit of product development that will satisfy our customers, we are enhancing safety and durability with the steady implementation of the Development Quality Assurance Process in the four stages of Vehicles, Systems, Components, and Elements/Materials.
Respecting Human Rights 96.2%  
CSR e-learning participation rate (Japan)

Human Rights Due Diligence in the Supply Chain

We conduct due diligence surveys of our suppliers, consisting of 80 questions on seven topics: 1. corporate governance regarding CSR; 2. human rights; 3. labor practices; 4. environment; 5. operating performance; 6. consumer (or customer) issues; and 7. community approaches, including those described below, to raise awareness among our employees and encourage them to act as champions of human rights.

Occupational Health and Safety

In Fiscal 2018, we aimed to achieve a year-on-year reduction target of 0.94 LTIFR, and we were pleased to see that the LTIFR fell from 1.42 in Fiscal 2017 to 0.94 in Fiscal 2018. Our efforts include conducting annual audits of each business site to reinforce our commitment to occupational health and safety.

Promoting Diversity

In Fiscal 2018, we became aware of the need to foster a diverse and inclusive workplace. We adopted a variety of approaches, including those described below, to promote diversity and inclusion.

In April 2016, we published the Basic Policy for Human Rights and the Key Policy on Human Rights. To ensure that our operations can be pursued with respect for ethnicity, culture, and other factors in diverse countries and regions, we conduct education and raise awareness to thoroughly instill our human rights policies in all employees of the Group. In Fiscal 2018 also, we adopted a variety of approaches, including those described below, to instill these policies throughout the Group.

In Fiscal 2018, we conducted due diligence surveys of our suppliers, consisting of 80 questions on seven topics: 1. corporate governance regarding CSR; 2. human rights; 3. labor practices; 4. environment; 5. operating performance; 6. consumer (or customer) issues; and 7. community approaches, including those described below, to raise awareness among our employees and encourage them to act as champions of human rights.

We are committed to creating a safe, comfortable environment in which employees can return to work after illness or injury and develop their full potential. We have implemented return-to-work programs for employees who become ill due to mental health issues. Systems have been put in place to allow employees to return to work after illness or injury and develop their full potential. We have implemented return-to-work programs for employees who become ill due to mental health issues. Systems have been put in place to allow employees to return to work after illness or injury and develop their full potential.

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Promoting Work-life Balance 85.7%
Average percentage of annual leave taken

Encouraging a Good Work-life Balance
The lifestyles of employees are becoming increasingly diverse every year as the structure of society changes, and we are developing and implementing systems to support those different lifestyles. The systems we have put in place under the Act on Advancement of Measures to Support Raising Next-Generation Children exceed the standard required by the legislation.

Work and Family Life Balance Assistance Scheme
We are working to enhance our personnel and welfare programs so that all of our employees may work energetically with peace of mind according to their own individual circumstances and values and their various life stages. In recent years, to contribute to the creation of a society that makes the most of women’s vitality, we are making efforts to enhance programs that assist with childbirth, raising children, and caring for elderly and infirm family members.

In Fiscal 2016, we expanded the scope of eligibility for receiving dependent family benefits, extended the child care leave period (until the end of the April following the child’s second birthday), and introduced a program for regular consultations with employees on child care leave. In addition, from Fiscal 2016, we also extended the period during which employees raising children are able to work shorter hours until the end of compulsory education (under the age of three by law). As a result of our continued efforts to expand our programs to help employees to continue their careers and support their smooth return to their workplaces, in Fiscal 2018, our rate of return to work was 100%.

In our nursing care leave scheme, we have extended the period for return to work was 100%.

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Situation Regarding Annual Leave Taken

<table>
<thead>
<tr>
<th>Year</th>
<th>Japan</th>
<th>Child Care Leave</th>
<th>Nursing Leave</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>77.7%</td>
<td>93.0%</td>
<td>94.7%</td>
</tr>
<tr>
<td>2017</td>
<td>78.2%</td>
<td>93.5%</td>
<td>95.2%</td>
</tr>
<tr>
<td>2018</td>
<td>78.7%</td>
<td>94.0%</td>
<td>95.7%</td>
</tr>
</tbody>
</table>

Global Human Resources Development
For the purpose of developing the next generation of global business leaders, each year, we conduct Global Business Leader Training (GBLT), a high-level training program conducted in English for leader candidates from each country and region, including Japan. Further, to develop global Monozukuri human resources, we conduct Global Factory Manager Training for factory managers and factory manager candidates from each country and region.

Global Human Resources Development

Human Resource Development 10.7 hour
Training time (per person)

Global Human Resources Development

Productivity Improvement 1.74% Cost per hour (year-on-year percentage reduction)

Productivity Improvements in Manufacturing Processes
We are striving to improve productivity through a range of ongoing kaizen activities, such as reduction of setup times and equipment cycle times, and improvement of the efficiency of assembly and transport tasks. These efforts include the use of robotics and improvements to employee working environments. In Fiscal 2017, we introduced “Cost per Hour” as a global KPI to determine whether these kaizen activities are having sufficient effect, and we are monitoring the outcomes of activities based on a shared philosophy. With this initiative, activities that are closely related to financial figures are being promoted, and in Fiscal 2018, Cost per Hour decreased by 1.74%.

Going forward, we will continue to pursue activities with the shared global target of a 1.74% decrease per year until 2021.

CK

Global Human Resources Development

Promotion of Work-style Reform
We are engaged in the reform of work styles with the objective of creating highly satisfactory workplace environments by raising operational productivity, achieving higher added value, and realizing diverse working styles. Specific initiatives include setting specific times for when meetings with overseas parties may be held, thorough implementation of the rules for holding meetings, the use of ICT, thorough improvements in the efficiency of operations, particularly back-office operations, and the systematization of various procedures and processes.

Work-style Reform Related Data

<table>
<thead>
<tr>
<th>Year</th>
<th>Japan</th>
<th>Global</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>70.7%</td>
<td>70.5%</td>
</tr>
<tr>
<td>2017</td>
<td>71.6%</td>
<td>71.8%</td>
</tr>
</tbody>
</table>

Cost per Hour (inductor)

<table>
<thead>
<tr>
<th>Year</th>
<th>Japan</th>
<th>Global</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>81.2%</td>
<td>81.5%</td>
</tr>
<tr>
<td>2017</td>
<td>81.3%</td>
<td>81.5%</td>
</tr>
<tr>
<td>2018</td>
<td>81.4%</td>
<td>81.6%</td>
</tr>
<tr>
<td>2019</td>
<td>81.5%</td>
<td>81.7%</td>
</tr>
<tr>
<td>2020</td>
<td>81.6%</td>
<td>81.8%</td>
</tr>
<tr>
<td>2021</td>
<td>81.7%</td>
<td>81.9%</td>
</tr>
</tbody>
</table>

Monozukuri Certification

Monozukuri Human Resources Development

To further improve the Monozukuri capabilities that have been strengthened through global competition and roll out these capabilities on a global level, we conduct training for the acquisition of knowledge and skills in a planned manner. This training includes training on site improvement tools, which forms our foundation for Monozukuri, and various specialized technical training programs.

Introduction of the Skills Meister System (CK only)
The Skills Meister System has been introduced to clarify the skills that are required in Monozukuri. The Meister Certification Committee convenes every year to certify Skills Meisters. Currently, there are 10 Meisters working hard in the Group. Skilled workers who have the required skills as a matter of course, but who are also recognized by all around them as being exemplary role models, are selected as Meisters.

Human Resources Development

Employee welfare programs
Adopted a system in Fiscal 2018 for selecting and receiving services that match one’s lifestyle from approximately 25,000 programs for employees and members of their families.

Flexible scheme
A flexible scheme has been introduced that has no core time requirements, with the exception that employees work at least one hour between 8:30 a.m. and 5:30 p.m.

Situation Regarding Annual Leave Taken

<table>
<thead>
<tr>
<th>Year</th>
<th>Child Care Leave</th>
<th>Nursing Leave</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>71.6%</td>
<td>93.0%</td>
</tr>
<tr>
<td>2017</td>
<td>72.2%</td>
<td>93.5%</td>
</tr>
<tr>
<td>2018</td>
<td>72.8%</td>
<td>94.0%</td>
</tr>
</tbody>
</table>

Employee with at least 10 years of service have the right to take 5 weeks’ maternity leave or, in the case of expectant mothers, 6 weeks’ maternity leave or, in the case of employees working part-time, 10 weeks’ maternity leave or, in the case of those with less than one year’s service, up to 8 weeks’ maternity leave.

Cesi Ping

I want to keep doing things that will make my children feel proud of me. As a mother of two, I want to keep doing things that will make my children feel proud of me. Donating blood can save lives and improve people’s health. As a mother of two, I want to keep doing things that will make my children feel proud of me.

Global Human Resources Development

Monozukuri

Meisters working hard in the Group. Skilled workers who have the required skills as a matter of course, but who are also recognized by all around them as being exemplary role models, are selected as Meisters.

Global Human Resources Development

Cost per hour

<table>
<thead>
<tr>
<th>Year</th>
<th>Japan</th>
<th>Global</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>22.1%</td>
<td>22.1%</td>
</tr>
<tr>
<td>2017</td>
<td>22.2%</td>
<td>22.2%</td>
</tr>
<tr>
<td>2018</td>
<td>22.3%</td>
<td>22.3%</td>
</tr>
<tr>
<td>2019</td>
<td>22.4%</td>
<td>22.4%</td>
</tr>
<tr>
<td>2020</td>
<td>22.5%</td>
<td>22.5%</td>
</tr>
<tr>
<td>2021</td>
<td>22.6%</td>
<td>22.6%</td>
</tr>
</tbody>
</table>

Monozukuri

Cost per hour

<table>
<thead>
<tr>
<th>Year</th>
<th>Japan</th>
<th>Global</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>21.7%</td>
<td>21.7%</td>
</tr>
<tr>
<td>2017</td>
<td>21.8%</td>
<td>21.8%</td>
</tr>
<tr>
<td>2018</td>
<td>21.9%</td>
<td>21.9%</td>
</tr>
<tr>
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<tr>
<td>2020</td>
<td>22.1%</td>
<td>22.1%</td>
</tr>
<tr>
<td>2021</td>
<td>22.2%</td>
<td>22.2%</td>
</tr>
</tbody>
</table>

Monozukuri

Monozukuri

Global Human Resources Development

Monozukuri

Cost per hour

<table>
<thead>
<tr>
<th>Year</th>
<th>Japan</th>
<th>Global</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>21.5%</td>
<td>21.5%</td>
</tr>
<tr>
<td>2017</td>
<td>21.6%</td>
<td>21.6%</td>
</tr>
<tr>
<td>2018</td>
<td>21.7%</td>
<td>21.7%</td>
</tr>
<tr>
<td>2019</td>
<td>21.8%</td>
<td>21.8%</td>
</tr>
<tr>
<td>2020</td>
<td>21.9%</td>
<td>21.9%</td>
</tr>
<tr>
<td>2021</td>
<td>22.0%</td>
<td>22.0%</td>
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</tbody>
</table>

Monozukuri

Cost per hour

<table>
<thead>
<tr>
<th>Year</th>
<th>Japan</th>
<th>Global</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>21.3%</td>
<td>21.3%</td>
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<tr>
<td>2017</td>
<td>21.4%</td>
<td>21.4%</td>
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<td>2018</td>
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<td>21.5%</td>
</tr>
<tr>
<td>2019</td>
<td>21.6%</td>
<td>21.6%</td>
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<tr>
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Monozukuri

Cost per hour

<table>
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<tr>
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<tr>
<td>2020</td>
<td>21.5%</td>
<td>21.5%</td>
</tr>
<tr>
<td>2021</td>
<td>21.6%</td>
<td>21.6%</td>
</tr>
</tbody>
</table>
Reflecting Customers’ Opinions in Improvements

We hope to be an industry leader in Monozukuri in the mobility society and to continue to provide a range of values. To push forward vigorously in Monozukuri that is of high quality, competitive, and that meets the needs of our customers, we are dedicating efforts to our customer service capabilities. To this end, we have been conducting Customer Satisfaction Surveys since 2005. The Customer Satisfaction Survey asks respondents to evaluate us on a five-point scale in the individual categories of Quality, Cost, Delivery, Development, and Sales (COCOMICS). It also seeks comments from respondents on specific requests for improvement.

In Fiscal 2018, based on the results of surveys in the previous year, we implemented three measures, namely quicker response times, compliance with various deadlines, and strengthening of cooperation with customers, which enabled us to raise customer satisfaction by 0.01 points. With this survey as a point of connection, we will further enhance our communication with our customers and aim to improve customer satisfaction.

Quality Education and Awareness Raising Initiatives

Q-Forum

As part of our quality awareness-raising activities, once a year, we hold the Q-Forum. Through exhibits of the prevention of quality defect occurrences, display of actual defective products, presentation of kaizen examples, and supplier quality seminars, the Q-Forum gives each and every individual the opportunity to reflect on their own awareness and actions regarding quality and make new discoveries. In this way, they can raise their awareness of quality and the quality of their own actions, leading to improvements in quality.

QC Circle Global Convention

We conduct QC circle activities all over the world to promote quality improvement activities on the factory floor and human resources development through such activities. Once a year, the QC Circle Global Convention is held at the headquarters. Through presentations of outcomes of quality improvement activities, we are striving to encourage friendly competition among regions and to make further improvements to our Monozukuri quality.

Acquisition of Quality Management Standard IATF 1694

We have now acquired certification for ISO/TS 16949, an international standard of quality management systems for the automotive industry, for all of our sites. We have been pursuing activities aimed at bringing our quality management systems in line with the new standard, IATF 16949, to which product safety and the development of products with embedded software have been newly added, and to obtain certification for all of our global sites. In Fiscal 2018, transition from TS16949 certification to IATF 16949 was completed at all sites, with 63 sites, including three new ones, acquiring certification.

Assessment of Novelty and Importance

We clarify the novelty and importance of new products from the design concept phase. In accordance with those assessments, expert reviewers conduct design examinations and process design examinations to raise the safety and reliability of our products. There were 1,148 such examinations in Fiscal 2018, and there were no problems with product safety.

In pursuit of “flexible Monozukuri reform,” the Production Engineering Center conducts development of new production methods, prototype verification, and global standardization. Valuing teamwork, it is pursuing the realization of drawing and prototyping processes based on Monozukuri principles and doctrines.

Promotion of Social Contribution Activities

Four Domains of Social Contribution Activities

To contribute to the creation of a better society, we enrich activities on a global basis, with a focus on four domains. In the expansion of these activities, we identify the expectations of stakeholders and requirements of our stakeholders by communicating with them, with the aim of contributing to regional development and solving social issues.

Support for the Monozukuri Human Resources of the Future

Team SKETT is a team of volunteers whose members are drawn from an open call to our employees for participation. It conducts a wide range of activities to give children who are the future of society, hands-on experience of Monozukuri. Team SKETT has exhibited at Kids Engineer, a hands-on exhibition for elementary school pupils organized by the Society of Automotive Engineers of Japan, Inc., every year since the inaugural event in 2008. In Fiscal 2018, at Kids Engineer 2018 in Yokohama and at Mini Kids Engineer in Tohoku (Sendai), more than 3,000 people participated in challenges such as assembling a cockpit module, where they learned the enjoyment of Monozukuri. We also exhibited again at the Jidosha Kaikan Kids Engineer event, which the Automobile Business Association of Japan began holding in 2018. At our booth, we gave more than 300 attendees a hands-on building experience. In our Traveling Classrooms for Elementary Schools program, which began in 2012, we conveyed the fun of science to more than 1,000 children at 21 schools in Fiscal 2018.

Fiscal 2018 Award Winners

As a result of our various initiatives in quality improvement, we have been honored with various awards from automotive companies.

Number of Participants Attending Kids Engineer (2018)

More than 3,000 people
Governing our Group to be an organization that is trusted by society, we have established corporate governance and risk management frameworks with a strong awareness of ESG and are pursuing business that is legally compliant, ethical, and sustainable. Under the Global Code of Conduct of our Group, we have conducted exhaustive education and awareness-raising of employees, with the goal of strengthening our global compliance regime.

**Corporate Governance**

**Corporate Governance Structure for Speedier Decision-making**

We are working to enhance our corporate governance to create a prosperous society through our business activities and build excellent relationships with all of our stakeholders. With the objective of realizing speedier decision-making, we have established a corporate governance structure consisting of a Board of Directors, with three directors who concurrently serve as executive officers, and two auditors. Also, in terms of our relationship with its controlling shareholder, as a wholly-owned subsidiary of CK Holdings (CHK), an entity wholly owned by Kohlberg Kravis Roberts (KKR), we are working to increase the diversity of its Board of Directors membership, under the supervision of the CHK Board of Directors. The auditor monitors the performance of Directors in carrying out their duties, and also works with the auditors of CHK to audit the execution of business related to all aspects of the Group's management. In addition, outside auditors conduct accounting audits, in which they verify the appropriateness and legal compliance of accounts and of internal controls related to the accounts from an independent standpoint. The current structure has been chosen because we believe these measures will ensure the effectiveness of our corporate governance.

**ESG Risk Management**

**Activities of Internal Control Risk Management Committee**

We have established various committees from social and environmental perspectives, with directors taking responsibility for them. These committees consider policies and actions concerning risk management and report to their respective directors. They also report regularly to the Board of Directors through the Internal Control Risk Management Committee. Through close cooperation with these committees, we strengthen and further enhance CSR activities. In Fiscal 2018, there were no legal violations regarding labor, bribery, information security, product safety, or exports. Consequently, we have not been subject to any fines or other punitive measures. We will continue in our endeavors in appropriate organizational governance and information disclosure under our CSR policies.

<table>
<thead>
<tr>
<th>Committees responsible for internal control</th>
<th>Positions and departments with responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal Control Risk Management Committee</td>
<td>Executive Vice President, Global Corporate Development Division</td>
</tr>
<tr>
<td>Global Compliance Committee</td>
<td>Executive Vice President, Global Corporate Development Division</td>
</tr>
<tr>
<td>Information Security Committee</td>
<td>Senior Vice President, Global IT &amp; Innovation Division</td>
</tr>
<tr>
<td>CAO/CFO Committee</td>
<td>(cost control / asset life)</td>
</tr>
<tr>
<td>Health and Safety Committee</td>
<td>Executive Vice President, Global Corporate Development Division</td>
</tr>
<tr>
<td>Environmental Council</td>
<td>Executive Vice President, Global Manufacturing Division</td>
</tr>
<tr>
<td>Executive Council</td>
<td>Senior Vice President, Global Manufacturing Division</td>
</tr>
<tr>
<td>JISDR Steering Committee</td>
<td>Senior Vice President, Global Services</td>
</tr>
</tbody>
</table>

**Strengthening Compliance**

**Global**

**Regular Monitoring**

We monitor major compliance activities in its various regions and sites according to seven elements (compliance program). This monitoring is reported to the Global Compliance Committee and connected to process improvements.

**Compliance program**

1. Standards and procedures
2. Organizational structure
3. Education and training (including control and training prevention)
4. Regular evaluation (including survey of degree of penetration of compliance)
5. Communication and disciplinary actions: Reports and surveys
6. Progress and recognition prevention (compliance risk management including prevention of corruption and bribery)

**Whistleblowing Systems Operation**

**Global**

**Trends in Whistleblowing Cases**

We have introduced whistleblowing systems at all of our Group companies, to ensure that every employee has an understanding of compliance and puts it into practice and to confirm that corporate activities are being conducted properly.

In Japan, we have incorporated the perspectives of whistleblower protection in line with the Whistleblower Protection Act that came into force in April 2006, and operate a Helpline as an external contact point for whistleblowers. High-speedily called-takers from an independent organization receive the information while respecting the whistleblower’s privacy. The responsible division is contacted and, in turn, contacts the relevant departments and organizations and takes appropriate action.

**Global**

**Initiatives for Strengthening Information Security**

The Global Security Committee meets twice a year to share information about the roll out of new measures concerning the improvement of information security and the status of audits.

**Major initiatives in Fiscal 2018**

- Security measures: Internal audit conducted of cyber attacks
- Employee awareness education: Education of employees using globally standardized educational content
- Security Risk to raise awareness and increase knowledge about security among all global employees
- Communication of awareness-raising messages from the President and responsible directors
- Display of security awareness messages on the Intranet and in posters
- Strengthening of security measures for factory equipment

**Global**

**Initiatives for Information Security Education and Awareness-Raising**

A high awareness of control in each individual employee is essential to compliance with information security. We are strengthening that awareness through education. In addition to implementing various security measures, such as control of rights to access electronic data and the restriction of use of external storage media, we are also pursuing activities to raise awareness among employees.

**Employee Education Track Record**

- *As of March 31, 2019*

- 100% maintained

**Strengthening Information Security**

**Global**

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- *As of March 31, 2019*

- 100% maintained
Company Overview

Company
Calsonic Kansei Corporation

Address
2-1917 Nisshin-cho, Kita-ku, Saitama City, Saitama, Japan

Main Products
Cockpit modules, Front-end modules, Exhaust systems, Air conditioning units, Compressors, Meters, Radiators

Number of Group Companies
Consolidated: 34*

Total Number of Employees
Consolidated: 22,382*

Major Clients
(Abbreviation order)

* As of March 31, 2019

Financial Highlights

Consolidated Sales

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>(million yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>892,100</td>
</tr>
<tr>
<td>2017</td>
<td>998,617</td>
</tr>
<tr>
<td>2018</td>
<td>1,012,596</td>
</tr>
</tbody>
</table>

Share of Consolidated Sales by Region (Fiscal 2018)

- Japan: 36.5%
- Americas: 27.5%
- Asia: 24.3%
- Europe: 11.6%

Number of Employees by Region (Consolidated)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>(people)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>22,424</td>
</tr>
<tr>
<td>2017</td>
<td>22,678</td>
</tr>
<tr>
<td>2018</td>
<td>7,053</td>
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<tr>
<td></td>
<td>6,183</td>
</tr>
<tr>
<td></td>
<td>2,367</td>
</tr>
<tr>
<td></td>
<td>6,819</td>
</tr>
<tr>
<td></td>
<td>6,915</td>
</tr>
</tbody>
</table>

About this Report

We report on our ideas and various initiatives as a communication method for stakeholders and as part of our efforts to disclose information about corporate social responsibility (CSR). The report is published in Japanese and English.

We have also produced a summary version of the report in the form of this booklet to familiarize even first-time readers with the Group’s CSR endeavors. More detailed information is found on the website.

To coincide with the change in management structure to a business unit framework in January 2019, the 2019 edition contains messages from the CEOs of the business units. We have also changed the format of the report in line with the materiality based on ESG (environment, social, governance). As well as deepening readers’ understanding of our materiality, we aim to further pursue CSR initiatives.

In May 2019, Calsonic Kansei and Magneti Marelli announced that they will pursue a merger under the shared brand, MARELLI. However, this report concerns only the activities of the Calsonic Kansei Group in Fiscal 2018.

Editorial Policy

Applicable Scope
Calsonic Kansei Corporation and Group companies

Applicable Term
Mainly Fiscal 2018 (April 1, 2018–March 31, 2019)

Publication Date
June 2019 (previous report: June 2018; next report: August 2020 (scheduled))

Reference Guidelines
GRI Sustainability Reporting Standards

Support for various principles, etc. concerning the environment, society, and management
We are in agreement with the initiatives laid out in policies such as the UN International Bill of Human Rights, the UN Guiding Principles on Business and Human Rights, the UN Global Compact, the ILO Declaration on Fundamental Principles and Rights at Work, ISO 26000 (Guidance on social responsibility) and the Keidanren (Japan Business Federation) Charter of Corporate Behavior, and implements initiatives to help achieve these important management indicators.

Third-party Assurance and Opinions
Third-party assurance will be conducted in 2019.

We look forward to receiving your opinions and comments about this report as well as any suggestions for improvement. For any comments or questions, please contact us.

Please Note:
This report contains forward-looking statements. Please be aware that actual results may differ due to various industry-related factors.
This is the sixth edition of Start, the sustainability magazine regarding Magneti Marelli’s scope of activities, which brings together figures, strategies and stories that characterised Company performance over the previous year.

By reporting on performance in 2018, it is an overview of the company’s final year as part of the FCA Group, following FCA’s sale of Magneti Marelli’s automotive component business to leading Japanese automotive supplier, CK Holdings Co. Ltd., a holding company of Calsonic Kansei Corporation. 10 May 2019 also saw the announcement of the adoption of MARELLI as the new global brand uniting Magneti Marelli and Calsonic Kansei.

Reflecting the 4 pillars on which our sustainability strategy has been based, the magazine is made up of 4 sections: Products, Processes, Stakeholders and Impacts. Each chapter begins with a summary of the key figures used to measure our performance and presents an example of the way in which we faced up to the challenges of sustainability with a focus on a representative case.

The performance reports in this document are based on the Global Reporting Initiative (GRI) Guidelines and, as said, make reference to overall figures as of 31 December 2018. Therefore, the scope of activities includes all the business lines belonging to Magneti Marelli at the time, including Plastic Components and Modules Automotive S.p.A. (PCMA), which was later excluded from the sale of Magneti Marelli to CK Holdings in 2019.

In the future perspective of a new and wider sustainability perimeter as “MARELLI” with new approaches and shared methods, START 06 has the only objective to provide a consistent and methodologically correct picture of the former Magneti Marelli sustainability perimeter as of year 2018.
MAGNETI MARELLI SINCE 1919

In the year of our Centenary, we are dedicating the company profile to an original look back over a long and glorious history of technology.

THE MAGNETO

It all started here. Engines needed a spark generator: the "magnete", or rather, the magneto. And Ercole Marelli started to produce it. It would become a symbol, an icon.

WHO WE ARE

I'm the "man with the megaphone", created by Noël Quintavalle, the director of the company magazine “Sprazzi e Bagliori” to introduce the “Domando la parola” (Let me speak) column and answer readers’ questions. I have now been chosen to tell 100 years of history through 12 “sparks”, themed fragments that retrace some of the most important moments of a bright industrial, business and technological history.

SPRAZZI E BAGLIOI

Corporate culture, information and a sense of humour: “Sprazzi e Bagliori”, our company magazine, shows the spirit and life at Magneti Marelli in its early years in the best possible way.

ELECTRONICS

Magneti Marelli’s “destiny”. The brains that rule and will increasingly rule all processes linked to smart mobility in the automotive industry... And just think that it all started out with the Dinoplex control unit...

OFF THE BEATEN TRACK

What you didn’t expect from Magneti Marelli: from video surveillance systems and teaching in schools, to submarines and Geneva’s CERN, as well as artificial satellites and a presence on the Milan Metro.

THE PEOPLE

Magneti Marelli’s people have guided and directed the company’s life. They have made the “factory” great with the same dogged determination that came from Ercole Marelli.

RACING

They have always been in Magneti Marelli’s DNA. From the track to the road, motorsport is the strictest testing ground and a field for research and innovation.

THE DASHBOARD

The part of our cars that we look at most every time we drive: the instrument cluster speaks to us and lets us speak to our cars. For Magneti Marelli, it represents technology and design, function and emotion.

PLACES AND BRANDS

The world is our home. From the very beginning, Magneti Marelli opened its doors to the world with commercial and manufacturing activities, going as far as to incorporate great historical brands that make our industrial heritage unique.

LIGHTING

The introduction of electric light to cars facilitated nighttime travel and exchanges. Light tore through the night, extending the space given to social life and changing society.

RADIOMARELLI

Not just engines, but telecommunications too: connecting and transmitting information to help society progress. Magneti Marelli enabled television broadcasts and produced the most popular radios and televisions in Italy in the 1960s.

FUTURE

We were born a century ago to improve the future and to create the future. Our history is a story of the future.

“SCINTILLA”

To tell Magneti Marelli’s story, we have used sparks to convey the highlights of 100 years of history. But there’s more, a historic image that represents us: a passionate Magneti Marelli technician cheering. In the Formula 1 paddock, everyone knew him. His nickname was “Spark”, that is to say: “Scintilla”!

MAGNETIMARELLI100.COM
MAGNETI MARELLI AROUND THE WORLD IN 2018

NAFTA
- USA
- MESSICO

LATAM
- ARGENTINA
- BRAZIL

APAC
- JAPAN
- CHINA
- MALAYSIA
- INDIA

EMEA
- ITALY
- UK
- FRANCE
- SPAIN
- GERMANY
- POLAND
- ROMANIA
- CZECH REP.
- SLOVAKIA
- SERBIA
- TURKEY
- RUSSIA

BUSINESS LINES
- POWERTRAIN
- AUTOMOTIVE LIGHTING
- ELECTRONIC SYSTEMS
- SUSPENSION SYSTEMS AND SHOCK ABSORBERS
- EXHAUST SYSTEMS
- PLASTIC COMPONENTS AND MODULES
- MOTORSPORT
- AFTER MARKET PARTS & SERVICES

PRODUCTION PLANTS
APPLICATION CENTRES
R&D CENTRES
In order to apply our sustainability strategy to our business, we have identified two main instruments that allow continuous exchange both within the company and with the outside world: the materiality matrix and the 17 Sustainable Development Goals (2030 Agenda for Sustainable Development) identified by the United Nations in 2015.

### Materiality Matrix

The materiality matrix indicates the themes that are the most important for our business. The matrix has been constructed through a careful analysis of the stakeholders’ needs. The approach adopted for matrix definition is available in the previous edition of START.

---

The Sustainable Development Goals (SDGs) set out by the United Nations in 2015 represent a benchmark and a source of inspiration for Magneti Marelli. In line with its role as a global leader in the automotive field, Magneti Marelli has identified five goals that have impact on business as usual, and one goal, Goal 17 [Partnership for the goals], that provides for the direct involvement of our main stakeholders (customers, employees, suppliers, institutions, etc.) and the raising of awareness with these groups regarding the commitment to sustainable development.

In order to make the goals tangible, in 2018 Magneti Marelli combined the SDGs with the materiality matrix and with its own sustainability strategy, which is based on four pillars:

- **Products**
- **Processes**
- **Stakeholders**
- **Impacts**

This has allowed the Company to identify not only the level of coverage of the sustainability themes, but also cues for the examination of future objectives.

---

**THE STRATEGY**

<table>
<thead>
<tr>
<th>Products</th>
<th>Processes</th>
<th>Stakeholders</th>
<th>Impacts</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>8</strong></td>
<td><strong>12</strong></td>
<td><strong>9</strong></td>
<td><strong>13</strong></td>
</tr>
<tr>
<td><strong>11</strong></td>
<td><strong>17</strong></td>
<td><strong>17</strong></td>
<td><strong>17</strong></td>
</tr>
<tr>
<td><strong>Eco-efficiency of operations</strong></td>
<td><strong>Eco-efficiency of products</strong></td>
<td><strong>Reduction of the environmental impact of products</strong></td>
<td><strong>Development, valorisation and organisation of human resources</strong></td>
</tr>
<tr>
<td><strong>Innovation of products</strong></td>
<td><strong>Worker’s health and safety</strong></td>
<td><strong>Integration of sustainability throughout the supply chain</strong></td>
<td><strong>Responsibility of the company</strong></td>
</tr>
<tr>
<td><strong>Emplyment and job security</strong></td>
<td><strong>Quality in customer relations</strong></td>
<td><strong>Reduction of the environmental impact of products</strong></td>
<td><strong>Promotion of a responsible use of products</strong></td>
</tr>
<tr>
<td><strong>Promotion of a responsible use of products</strong></td>
<td><strong>Welfare and equal opportunities</strong></td>
<td><strong>Creation of value for the community</strong></td>
<td><strong>Partnership for the goals</strong></td>
</tr>
</tbody>
</table>
THE STORY OF A CONTINUOUS COMMITMENT

**JANUARY**

Participation in the Consumer Electronics Show (CES) in Las Vegas exhibiting high-tech electronics, lighting and powertrain solutions, with a focus on autonomous driving, connectivity and hybrid/electric mobility.

**FEBRUARY**

Victory at the “Indian Automotive Technology and Innovation Award” (IATIA), recognised for excellence in the category “Transmission Technology of the year”.

**JULY**

Signing of an agreement for the acquisition of Smart Me Up, a pioneering start-up operating in the field of autonomous driving.

**AUGUST**

India sees the launch of the “Scholarship distribution program”, which ensures education for over 1100 students in economically disadvantaged conditions.

**MARCH**

The Brazilian plant in Mauá sees the launching of “Women's week”, focusing on equal opportunities and the role of women in the Automotive market.

**APRIL**

The Wuhu Automotive Lighting plant is the first in China to achieve the Silver Award in World Class Manufacturing.

**SEPTEMBER**

On the occasion of World Charity Day, a book-collection is launched in China for children to support schools in isolated rural regions, offering quality didactic materials.

**OCTOBER**


**MAY**

The Corbetta plant takes part for the first time in “Italia Loves Sicurezza”, hosting for a day a high school in order to raise awareness among the pupils on themes regarding safety in the workplace and in daily life.

**JUNE**

Launch of the internal contest “Beat plastic pollution” at world wide level, involving all employees and inviting them to share ideas on the reduction of plastic consumption in everyday life.

**NOVEMBER**

To promote the diversity of flora and fauna, in Trusetal-Laudenbach, the German Automotive Lighting plant in Brotterode plants 18 fruit trees and inaugurates the largest “Insect hotel” in Thuringia. A “wild pharmacy” is also created, with clovers and wild flowers.

**DECEMBER**

The Health and Safety Leadership Award (EHSLA) 2018 presents two Magneti Marelli plants with three awards: the Manesar plant in India for the “Health & Safety” category, and the Bielsko Biala plant in Poland in the categories “Environment” and “Energy”.
FOCUS | THE 3D INSTRUMENT CLUSTER BECOMES AUTO-STEREOSCOPIC

In the automotive field, we are now seeing the proliferation of on-board displays. From the instrument cluster to the central console, from screens on the dashboard and on the seats for passenger use to head-up displays, screens have now become a necessary and ever-more common element in car interiors. This phenomenon is facilitated by the fact that future mobility, the progressive introduction of autonomous driving and the consequential evolution of human-machine interaction (HMI) is freeing up ever-increasing amounts of space and time available to occupants. This is why screens, tactile surfaces, infotainment systems and video conference systems are opening new horizons and new possibilities with regards to time spent on board.

While in the past the instrument cluster was used above all as an interface via which driver and car could dialogue with each other in a closed system, nowadays passengers in a vehicle can make use of numerous forms of information regarding not only the vehicle, but also mobility, infrastructures, the surrounding environment and even entertainment. Although devices for the viewing of information are becoming increasingly widespread and sophisticated, the portrayal of the third dimension is not so common. The scarce presence of 3D screens in the automotive field is due above all to the complexity of 3D technology, to their larger size compared to conventional screens, to the increased manufacturing costs and to the need to use special stereoscopic glasses. In order to overcome these problems, Marelli is applying innovative 3D clusters to the automotive sector that, with the use of new auto-stereoscopic technology, offer clear advantages over traditional 3D technologies.

Marelli is applying innovative 3D instrument clusters to the automotive sector that, with the use of new auto-stereoscopic technology, offer clear advantages in comparison to traditional 3D technology. The technology used up to now requires two displays to provide the sense of depth to the image, and are therefore bulkier, heavier, more expensive and of low energy efficiency. Thanks to a specific software and the use of various lenticular optical layers, the new Marelli displays offer better performance in terms of image quality and depth and are more sustainable in terms of use of materials and energy for operation. Furthermore, bulky 3D glasses that are difficult to use while driving are no longer necessary.

Marelli’s autostereoscopic display technology is based on special, ultra-thin lenses that are layered onto the surface of a single display. This technology allows for the reproduction of images with more realistic effects, allowing for a better perception of complex shapes, obstacles and depth, thus also contributing to increasing levels of safety while the vehicle is in motion, a fundamental theme for mobility. Warning messages, indicator lights and driving information can therefore be shown more efficiently and clearly, guaranteeing increased levels of safety for the occupants of the vehicle, as well as persons and objects in the vicinity. The advantages of this solution are therefore important for two main reasons. On the one hand, thanks to a more faithful visual perception of the surrounding area as well as increased depth and realism of images, Marelli technology allows for more aesthetically-pleasing results that until now were impossible to achieve in 3D instrument clusters, in central consoles with 3D infotainment content, for head-up displays with information at variable depths, in augmented reality applications and in depth perception in 3D rear-view displays. Furthermore, the flexibility of these devices allows 3D viewing to be deactivated, leaving all of the functionality of a traditional 2D screen.

On the other hand, by using a single display, this technology allows for advantages in terms of space and a lower and more intelligent use of materials. Marelli’s 3D displays can be useful for perception of surrounding environment during a parking sequence, or to provide immersive navigation.

At the same time, they can replicate complex object surfaces, or can be used to display alerts to the driver.

Marelli’s 3D displays can...
**INDIRECT ENERGY CONSUMPTION PER SOURCE (GJ)**

<table>
<thead>
<tr>
<th>Source</th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electric Energy</td>
<td>3,014,040</td>
<td>78,067</td>
<td>78,067</td>
</tr>
<tr>
<td>Thermal Energy</td>
<td>78,067</td>
<td>89,584</td>
<td>89,584</td>
</tr>
<tr>
<td>Other Energy</td>
<td>12,147</td>
<td>20,983</td>
<td>20,983</td>
</tr>
</tbody>
</table>

**TOTAL INDIRECT CONSUMPTION OF ENERGY (GJ)**

- 2018: 3,216,473
- 2017: 3,216,968
- 2016: 3,145,458

**TOTAL CONSUMPTION OF ENERGY (GJ)**

- 2018: 4,198,187
- 2017: 4,167,040
- 2016: 4,029,490

**DIRECT AND INDIRECT CONSUMPTION OF ENERGY PER HOUR OF PRODUCTION**

*GJ/Good hours produced*

- 2018: 0.12
- 2017: 0.12
- 2016: 0.12

**DIRECT ENERGY CONSUMPTION PER SOURCE (GJ)**

<table>
<thead>
<tr>
<th>Source</th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Natural Gas</td>
<td>914,802</td>
<td>850,652</td>
<td>850,652</td>
</tr>
<tr>
<td>Other Fuels</td>
<td>35,270</td>
<td>33,340</td>
<td>33,340</td>
</tr>
<tr>
<td>Total Non-Renewable Fuels</td>
<td>950,072</td>
<td>884,032</td>
<td>884,032</td>
</tr>
</tbody>
</table>

**TOTAL NON-RENEWABLE SOURCES**

- 2018: 60,491 t
- 2017: 64,595 t
- 2016: 67,215 t

**TOTAL WASTE GENERATED**

- 2018: 64,523 t
- 2017: 67,215 t
- 2016: 67,390 t

**WASTE DISPOSED (t)**

- 2018: 4,937 t
- 2017: 4,980 t
- 2016: 5,793 t

**WASTE RECOVERED (t)**

- 2018: 7,005 t
- 2017: 7,196 t
- 2016: 7,587 t

**TOTAL WASTE GENERATED**

- 2018: 61,329 t
- 2017: 64,955 t
- 2016: 65,596 t

**ECO-EFFICIENCY OF OPERATIONS**

- **DIRECT AND INDIRECT EMISSIONS (CO2)**
  - 2018: 348,007 t
  - 2017: 292,557 t
  - 2016: 292,557 t

- **DIRECT AND INDIRECT EMISSIONS OF CO2 PER HOUR OF PRODUCTION**
  - *tCO2/Good hours produced*
    - 2018: 0.01
    - 2017: 0.01
    - 2016: 0.01

**ENERGY EFFICIENCY**

- **DIRECT ENERGY CONSUMPTION PER SOURCE (GJ)**
  - 2018: 981,713 GJ
  - 2017: 528,012 GJ
  - 2016: 528,012 GJ

- **TOTAL NON-RENEWABLE SOURCES**
  - 2018: 884,032 GJ
  - 2017: 884,032 GJ
  - 2016: 884,032 GJ

**INJURIES**

- **INJURY FREQUENCY INDEX**
  - (number of injuries / hours worked) x 100,000
  - 2018: 0.19
  - 2017: 0.19
  - 2016: 0.20

**MANAGEMENT OF WASTE**

- **WASTE GENERATED (t)**
  - 2018: 7,005 t
  - 2017: 7,196 t
  - 2016: 7,587 t

- **WASTE DISPOSED OF**
  - 2018: 4,937 t
  - 2017: 4,980 t
  - 2016: 5,793 t

- **WASTE RECOVERED**
  - 2018: 7,005 t
  - 2017: 7,196 t
  - 2016: 7,587 t

**DIRECT AND INDIRECT EMISSIONS OF CO2 PER HOUR OF PRODUCTION**

*GJ/Good hours produced*

- 2018: 0.01
- 2017: 0.01
- 2016: 0.01

**DIRECT AND INDIRECT EMISSIONS (tCO2)**

- 2018: 295,943 t
- 2017: 253,598 t
- 2016: 253,598 t

**DIRECT CO2 EMISSIONS**

- 2018: 53,598 t
- 2017: 47,880 t
- 2016: 47,880 t

**INDIRECT CO2 EMISSIONS**

- 2018: 292,557 t
- 2017: 298,309 t
- 2016: 298,309 t

**TOTAL CO2 EMISSIONS**

- 2018: 348,007 t
- 2017: 348,007 t
- 2016: 348,007 t

**DIRECT CO2 EMISSIONS**

- 2018: 53,598 t
- 2017: 47,880 t
- 2016: 47,880 t

**INDIRECT CO2 EMISSIONS**

- 2018: 292,557 t
- 2017: 298,309 t
- 2016: 298,309 t

**TOTAL CO2 EMISSIONS**

- 2018: 348,007 t
- 2017: 348,007 t
- 2016: 348,007 t

**ECO-EFFICIENCY OF OPERATIONS**

- **DIRECT AND INDIRECT EMISSIONS (tCO2)**
  - 2018: 348,007 t
  - 2017: 292,557 t
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- **DIRECT AND INDIRECT EMISSIONS OF CO2 PER HOUR OF PRODUCTION**
  - *tCO2/Good hours produced*
    - 2018: 0.01
    - 2017: 0.01
    - 2016: 0.01

**DIRECT ENERGY CONSUMPTION PER SOURCE (GJ)**

- 2018: 981,713 GJ
- 2017: 528,012 GJ
- 2016: 528,012 GJ

**TOTAL NON-RENEWABLE SOURCES**

- 2018: 884,032 GJ
- 2017: 884,032 GJ
- 2016: 884,032 GJ

**Hazardous Waste Generated**

- 2018: 7,005 t
- 2017: 7,196 t
- 2016: 7,587 t

**Non-Hazardous Waste Generated**

- 2018: 64,523 t
- 2017: 67,151 t
- 2016: 67,390 t

**Total Waste Generated**

- 2018: 61,329 t
- 2017: 64,955 t
- 2016: 65,596 t

**GOOD HOURS PRODUCED**

- Number of good pieces x Cycle time

**TOTAL HOURS OF PRODUCTION**

- 2018: 6,985,000 h
- 2017: 6,729,000 h
- 2016: 6,647,000 h

**TOTAL INJURIES**

- 2018: 1,785
- 2017: 1,810
- 2016: 1,830

**INJURY FREQUENCY INDEX**

- (number of injuries / hours worked) x 100,000
  - 2018: 0.19
  - 2017: 0.19
  - 2016: 0.20
FOCUS | MAGNETI MARELLI: WORKING TO REDUCE ENVIRONMENTAL IMPACT

PROJECT 1 | “REDUCTION OF HAZARDOUS WASTES” IN BIELSKO BIALA

The Plant
The Polish plant of Bielsko Biala (Shock Absorbers), which has already reached its goal of ZERO production waste sent to landfill, has also considerably reduced the production waste generated in the 2016-2018 period.

The project: Reduction of the generation of hazardous wastes
The welding department during 2018 introduced for the first time the application of an electrostatic filter for the purification of oil. This device, which takes advantage of the electrostatic charge of pollutant particles, is used in machinery, allowing the reuse in the process of the filtered oils. This has led not only to a reduction in the quantity of consumed oil, but above all a progressive reduction of hazardous waste generated.

After this first application, this solution has been extended to other production units in the plant.

PROJECT 2 | “ZERO WASTE SENT TO LANDFILL” PROJECT IN CONTAGEM

The plant
The Brazilian plant in Contagem (Automotive Lighting) improved its environmental performances over the 2016-2018 period, with a particular focus on wastes.

The project: ZERO waste sent to landfill
In 2018, the plant worked to reduce environmental impacts, focusing on production wastes sent to landfill. A dedicated study revealed that the most relevant quantity of wastes was made up of BMC (Bulk Moulding Compounds), thermosetting materials used in the moulding of Reflectors.

The project, that was developed and launched in the last quarter of 2018, focused therefore on the search for an alternative to sending BMC wastes to landfill. After a detailed selection, a company that was able to blend BMC wastes with other wastes to form a blend that could be used as fuel in cement factories was found.

Since it was launched, the project has led to a progressive reduction in the percentage of waste sent to landfill that was already significant in 2018 and that will guarantee the reaching of the defined target (ZERO waste sent to landfill) in 2019.

"ZERO waste sent to landfill" Project
Now the BMC and not recyclable waste are coprocessed

The selected waste is transformed into a blend
The blend moves from the recovery supplier to the cement kiln
The blend is used as fuel in the cement kiln
A certificate proves the thermal destruction and the effective disposal

PLANT INFORMATION
COUNTRY: BRAZIL
BUSINESS LINE: AUTOMOTIVE LIGHTING
PLANT: CONTAGEM
THE PLANT IN NUMBERS
NUMBER OF EMPLOYEES: 782
BLUE COLLARS: 650
WHITE COLLARS: 132
ENVIRONMENTAL KPIs 2018 vs 2016
WASTE GENERATED: -12%
HAZARDOUS WASTE GENERATED: -9%
WASTE SENT TO LANDFILL: -23%
WASTE RECOVERY: + 11%
FOCUS | TOWARDS AN EVER-INCREASINGLY RESPONSIBLE SUPPLY CHAIN: THE ISO 20400 GUIDANCE

Magneti Marelli has always been committed to sharing its sustainability values not only within the company but also with all its external stakeholders, from customers to suppliers. Beginning with the Sustainable Supply Chain Program launched in 2012, Magneti Marelli has always placed particular attention on the supply chain, raising awareness among its suppliers on themes such as respect for the environment and for human rights, in the conviction that the implementation of a clear and transparent sustainability strategy is not possible without an analysis of the surrounding context.

In 2018, Magneti Marelli took a new step in this direction, with the aim of responding to the most advanced requirements for sustainability in the management of the supply chain. To this end, an assessment has been carried out in accordance with the new ISO 20400 Guidance, published in 2017, which indicates a series of steps to be taken in order to include criteria for sustainability in the supply chain. As well as providing a set of definitions and suggestions on criteria that should be included in the procurement process, the guidance introduces the concept of risks and opportunities to bear in mind when making company decisions. Magneti Marelli’s assessment was carried out by an external company that analysed the company procurement processes with reference to the four macro-categories identified by the regulation: fundamental elements, policies and strategies, organisation, and processes. Each of these aspects was examined in relation to various themes regarding not only the environmental aspect, but also aspects of ethics, referring to principles such as responsibility, transparency and respect for human rights. The assessment process was divided into three steps:

1) Analysis carried out through interviews with actors involved in the procurement process and through the analysis of the main documents regarding company governance.
2) Assessment of the areas for improvement and Gap analysis through a dedicated tool.
3) Analysis of the results and definition of actions to be taken for improvement in each macro area examined.

The results of the study highlighted a solid structure of company values founded on a clear and complete Code of Conduct shared with all the Stakeholders, and a structured grievance mechanism to report violations (in anonymous form or not).

The assessment also highlighted the particular importance that Magneti Marelli places on evaluation, monitoring and certification of suppliers, an approach that, in the future perspective, could evolve through the inclusion of the principles of sustainability in all the stages of the sourcing process, from the definition of technical specifications to the qualification of the supplier.

### ISO 20400: THE STANDARD CREATED FOR PROCUREMENT

**SCOPE**

**1. NORMATIVE REFERENCE**

**2. TERMS AND DEFINITIONS**

**4. UNDERSTANDING THE FUNDAMENTALS**

- Risk management
- Due diligence
- Definition of priorities
- Avoid complicity
- Exercise influence

**5. POLICIES/STRATEGY**

- Organisational goals
- Context for procurement
- Strategy for sustainable procurement

**6. ORGANISATION**

- Governance
- People
- Stakeholders
- Priorities
- Reporting
- Complaints

**7. PROCESSES**

- Plan
- Procure
- Manage
The culture of Health and Safety has always been an essential pillar of Magneti Marelli’s activity, in fact it represents a value to be shared not only within the production plants, but also exported to the local communities in which the company operates.

In 2018, Magneti Marelli took part for the first time in the initiative Italia Loves Sicurezza (Italy Loves Safety), a “movement of people united through a shared passion for health and safety that is contributing to change the way to communicate” these themes.

To celebrate the World Day for Safety and Health at Work (28 April), Italia Loves Sicurezza launched a road show including approximately 700 events throughout Italy aimed at promoting the concept that health and safety are assets to be sought and protected, not only in the workplace, but also and most of all outside the company.

Magneti Marelli made an active contribution to the campaign, hosting the event “The evolution of safety in the Industry 4.0 era” in its Corbetta headquarters. It welcomed 60 students from a local State-High School, basing the activity on the concept that safety represents a collection of abilities and behaviour to be applied above all in everyday life and then in a working environment that is more and more technological.

Magneti Marelli’s commitment to safety, both as a cornerstone in its sustainability strategy and as an approach to all the activities in all of the plants worldwide, was illustrated to the students. Following a “safety game” aimed at identifying dangerous actions through the use of virtual reality, the students visited the production plant, where they were given the opportunity to have hands-on experience of the application of best practices regarding safety in a 4.0 plant.

Magneti Marelli’s participation in the Italia Loves Sicurezza event was merely an initial step for the company, which aims to extend the initiative to the plants in Italy, and in the future to those abroad, identifying new Safety Ambassadors from among its employees who actively promote the culture of safety among younger generations.
COLOPHON

This publication has been produced by the Magneti Marelli sustainability team with the methodological support of Collectibus and the creativity of Publicor.

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