



WE'RE ON A JOURNEY

2022

Clarios Environmental,
Social and Governance Report

 **CLARIOS**

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The global transportation industry is growing and transforming at the same time.

MARK WALLACE
Clarios CEO

Last year, electric vehicle production hit a record breaking 7.3 million, and by 2040 the world’s car parc will grow to 1.7 billion vehicles with every kind of powertrain. Reducing the impact on our environment while sustaining this scale of growth presents a considerable challenge.

At Clarios we are in a unique position to make a difference. Our expertise, standards of quality and global reach position us well as a force to drive progress.

We know that tomorrow’s vehicles will demand more from their low-voltage power networks. And while Lithium Ion is one solution, other chemistries will surely emerge in the next decade.

We believe our mission is to create the world’s best batteries, now and in this evolving future. But how we do it matters. We are a pioneer, champion of best practices, and our industry’s leading advocate for sustainable operations. We are, and have consistently been, committed to a strategy based on ESG accountability.

We operate at the intersection of sustainability and innovation, and our low-voltage technologies are becoming increasingly intelligent. In 2022, the production rate of vehicles focused on emissions reduction is more than double the rate of traditional internal combustion vehicles. Today, we deploy over half the world’s Absorbent Glass Mat (AGM) capacity, and by 2025 we expect to be the selected partner to help power more than 200 electric vehicle platforms.

We believe in the power of partnership. As a go-to resource for virtually every automaker in the world, we help our customers navigate the evolving challenges of the technological and regulatory landscape.

We use data to unlock solutions which increase fuel economy and lower greenhouse gas emissions, tailoring performance to meet specific needs, regardless of chemistry. Clarios is the benchmark in the recovery, recycling and re-use of low-voltage batteries – sharing best practices globally with governments, supply chain partners, customers and other stakeholders.

We are a member of the UN Global Compact, aligning our strategies and operations with its Ten Principles. Our stewardship of the product life cycle shapes our supply chain, our drive for innovation and our customer relationships.

This principled position takes the commitment of all 16,000 Clarios employees around the world. I’m proud of what this great team has accomplished. Our commitments outlined in this report are clear, and I’m optimistic about our continued journey and our essential role enabling the future.

Clarios-At-A-Glance

OUR MISSION

A low-voltage battery, no matter the chemistry or vehicle platform, will be a critical part of every vehicle on the road ahead. Recently we applied great rigor to articulating our role in that coming world, the mission to drive us forward every day.

We Create the World's Best Batteries, Essential for the Evolving Future of Transportation.

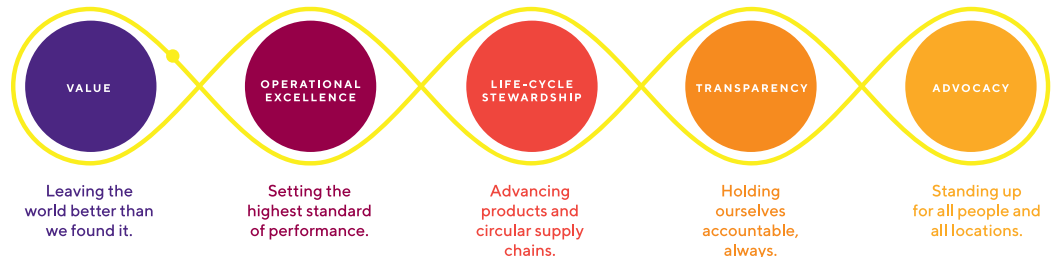
OUR COMMITMENT TO SUSTAINABILITY

Imagine a world in which the company's supplier and customer were one and the same. At Clarios, we turn used batteries into new ones. In fact, old batteries are the starting point of our circular supply chain.

Clarios has roots 130 years old and a compelling record of helping to shape and define solutions not just for today, but tomorrow. That's why we authored the Clarios Sustainability Blueprint, a long-view commitment to industry accountability and best practices.

We helped lead the charge to create the World Economic Forum's Global Battery Alliance and the Responsible Battery Coalition. And, we work with our local communities as well as international and non-governmental organizations to support children's health and the environment and build more sustainable places to live across the world.

Our Sustainability Blueprint embodies our commitment to setting high Environmental, Social and Governance (ESG) standards. It is core to both our business philosophy and operational excellence, continuing to create competitive differentiation.



POWERING TRANSPORTATION

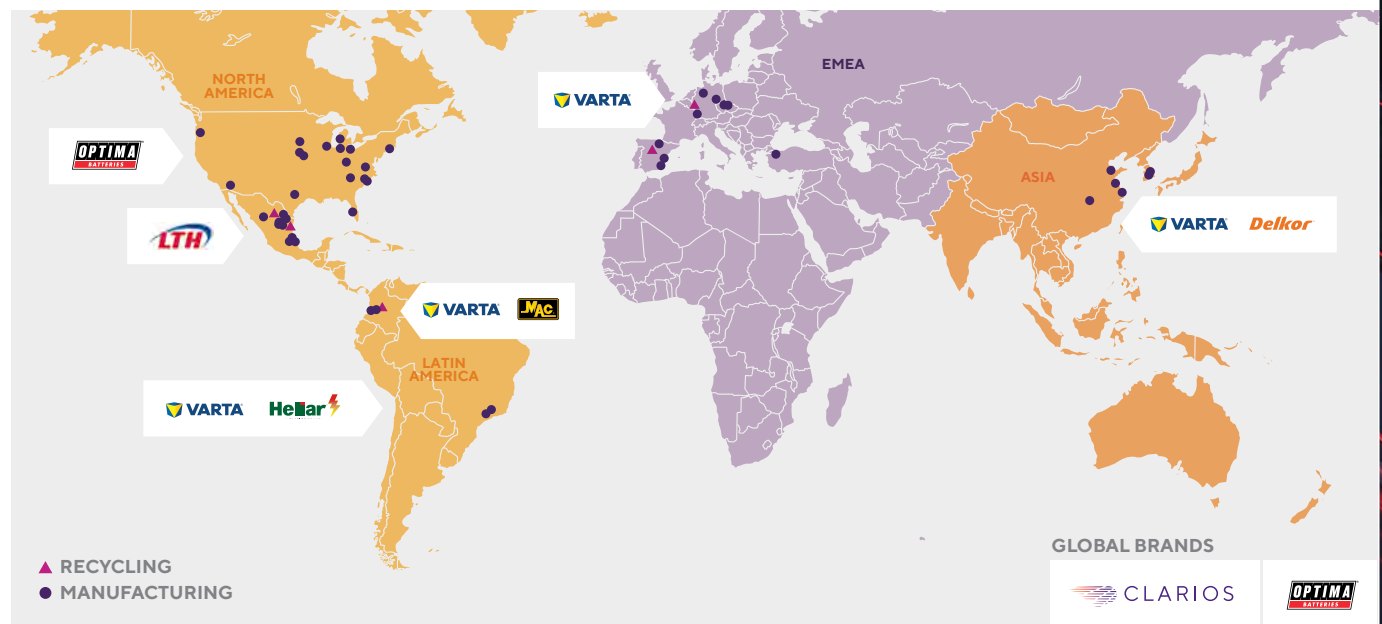
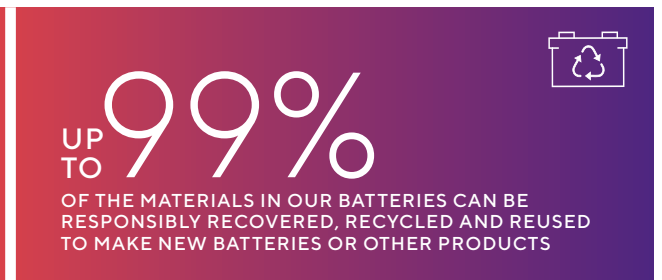
Clarios is the global leader in advanced, low-voltage battery technologies essential for the future of transportation. We are in business to power tomorrow's world through better solutions for virtually every kind of vehicle. With over 16,000 employees, we bring deep expertise to our Aftermarket and Original Equipment partners in over 100 countries, delivering reliability, safety and comfort to everyday lives.

Every electric vehicle requires the type of battery we make to start, maintain peak efficiency and operate safely.

We play a critical role delivering low-voltage battery solutions that are essential for the decarbonization of transportation and the electrification of mobility.

There is a Clarios battery in one in every three vehicles worldwide. Why? Because we apply deep knowledge to create the most insightful applications with and for our customers. We're evolving AGM, Lithium-Ion and other advanced chemistries for the road ahead.

We strive to keep on setting the industry standard with customer-focused solutions, a strong family of brands, best-practice operations, as well as a rigorous ESG focus including an unmatched circular supply chain. We serve business by serving people and the planet we share.



RECOGNITION WE VALUE

HONOREE, 2023 WORLD'S MOST ETHICAL COMPANIES®

One of only 8 honorees in the automotive industry for exceptional programs and commitment to advancing business integrity



SILVER, 2023 ECOVADIS BUSINESS SUSTAINABILITY RATING

Ranked in the top 25% out of 100,000+ companies and across 200 sectors globally, comparing labor and human rights, ethics, and sustainable procurement performance



LOW-RISK RATING, SUSTAINALYTICS, JUNE 2022

Received an ESG Risk Rating and was assessed by Morningstar Sustainalytics to be at low risk of experiencing material financial impacts from ESG factors



UNITED NATIONS GLOBAL COMPACT AND SUSTAINABLE DEVELOPMENT GOALS

Clarios is proud to have renewed our commitment for 2022 as a participant of the United Nations Global Compact. We are committed to aligning our operations and strategies with the Compact's Ten Principles that cover the topics of human rights, labor, health and safety, the environment and anti-corruption.

We seek to support the United Nations Sustainable Development Goals (SDGs) and the vision of "peace and prosperity for people and the planet, now and into the future" established in The 2030 Agenda for Sustainable Development. As a result, we have identified the most relevant to our business to focus and align our efforts and reporting.



Driving Innovation

Our leading global position in the low-voltage system enables us to collaborate with automakers to bring new technologies to market that can support and accelerate advancements in powertrain technology and vehicle autonomy.

We work closely with manufacturers during the development of future platform launches to design energy storage solutions that will cost-effectively help them meet increasing environmental, safety and vehicle electrification requirements.

As a result, our advanced absorbent glass mat (AGM) batteries currently enable greater fuel efficiency in start-stop vehicles through added capabilities such as engine-off coasting, passive boost and regenerative braking. Vehicles equipped with this start-stop functionality are up to 5% more energy efficient and release 5% less greenhouse gas emissions than conventional internal combustion engine powered vehicles, all at a negligible cost to consumers.

The future of mobility is electric and increasingly autonomous.

We estimate that out of the 1.7 billion cars expected to be on the road by 2040, up to 50 percent will be a combination of full hybrids, plug-in hybrids, and electric vehicles. All of these vehicles require an advanced low-voltage battery as a key component of a multi-battery system to help provide continuous low-voltage power and provide crucial safety functionality in critical moments of emergency. As more autonomous features are added to vehicles, there is even greater reliance on the low-voltage system to protect against failures that put occupants at risk.

In 2022, we announced a new safety critical battery – the Clarios Smart AGM Battery – providing the proven reliability, inherently safe chemistry and sustainability of AGM with the real-time intelligence of our Smart technology. It extends our Clarios xEV portfolio focused on providing advanced low-voltage batteries specifically designed to maximize electric vehicle (EV) performance, safety and reliability.

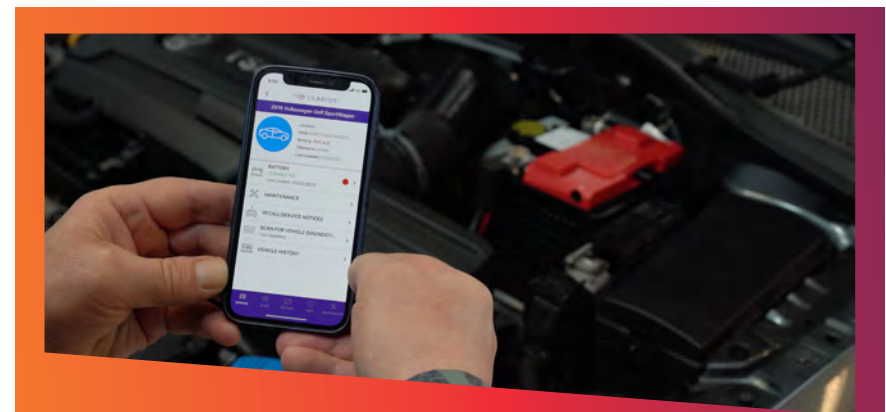
CLARIOS HIGHLIGHT

Clarios Smart AGM Battery

The Clarios Smart AGM Battery senses and diagnoses the battery condition to ensure power to critical functions enabling superior safety performance. It improves vehicle reliability via a mobile app that:



- Identifies potential issues in the battery before they happen
- Provides emergency power critical for EV and autonomous vehicles
- Anticipates required maintenance or replacement
- Optimizes performance of low-voltage power supply



Our technology is purpose built to reduce or eliminate internal failure modes, provide continued power supply operation with no leakage during crash events and monitor battery performance over time, supporting multiple vehicle use cases.

**CLARIOS
HIGHLIGHT**

Driving the Future of Technology

REDUCING DOWNTIME TO KEEP THE WORLD IN MOTION

Clarios has developed a game-changing new technology to allow commercial truck fleet managers, technicians, and drivers to monitor battery cell life in real-time to reduce downtime.

Battery failures are among the leading contributors to downtime for commercial trucks, that's why our new products have an active, real-time monitoring system to identify issues.

Clarios engineers have developed a connected system that identifies weak cells in a battery that sends performance and replacement alerts to fleet management systems, so they can proactively plan for replacement. This keeps over-the-road trucks on the road, avoids costly downtime, and ensures consumers around the world receive the deliveries they are counting on.



Future of EV

It's one thing to bring advanced EV technology to the road every day, it's another to hold ourselves to that same level of performance even in the toughest terrain.

Our OPTIMA brand hosted the first electrified off-road vehicle event during the King of Hammers Race Week in Johnson Valley, Southern California.

Going off-road to experience four-wheeling in a whole new way, the event brought together more than 40 EVs. As we help drive the future of EVs, our continued commitment to supporting owners and drivers is unwavering. It's just one way we are challenging the status quo.



Circular Economy Leadership

Our batteries are on a journey. Today’s batteries are on their way to becoming tomorrow’s batteries resulting in one of the world’s most successful examples of a circular economy.

We design, manufacture, transport, recycle and recover the materials in vehicle batteries using a closed-loop system.

Our batteries are designed so that up to 99% of the materials can be responsibly recovered, recycled and repurposed to make new batteries or other products.

In our system, we have moved beyond the linear paradigm and do not look at a battery as a waste, nor do we consider pollution an externality. Instead, these concepts represent system inefficiencies and missed opportunities – as well as potential risks to human health and the environment. For example, since 1990, we’ve reduced our lead air emissions in the United States by 96%, while increasing battery production six-fold.

Our closed-loop system and reverse logistics network reduce the need for hundreds of thousands of additional transportation miles each year. Our supply chain both starts and ends when a consumer replaces a used vehicle battery with a new one at a dealer, repair shop or auto parts store.

We have built feedback into our agreements with our customers so when we deliver new batteries, we get used batteries in return.

Through leading coalitions, we are helping to ensure that batteries regardless of chemistry are responsibly recycled and work with local governments to support the goal of securing domestic supply of critical minerals for the future. We have worked with the U.S. Department of Energy (“DOE”) and industry partners to leverage our closed-loop and logistics expertise as well as develop and apply innovative technologies to lithium-ion recycling in connection with low-voltage and high-voltage lithium-ion batteries.

UP TO
99% 
of the materials can be responsibly recovered, recycled and repurposed

90%↓
lower energy greenhouse gas emissions using recycled versus virgin raw materials

8,000
batteries recycled globally every hour, every day in our network

Responsible Leadership through the RBC and GBA

Clarios worked with leading organizations to form the Responsible Battery Coalition (RBC) and was a founding member of the Global Battery Alliance (GBA). The RBC is a nonprofit focused on improving the sustainability of all types of transportation, industrial and stationary batteries. The coalition exists to ensure that batteries, regardless of chemistry, are properly managed across their life cycle and reused when possible – then ultimately recycled. The GBA aims to help drive global standards and responsible practices to ensure the battery value chain is socially, environmentally and economically sustainable. It is currently working to eliminate child labor and forced labor from the cobalt value chain and to contribute to the sustainable development of communities.



Our ESG Discipline

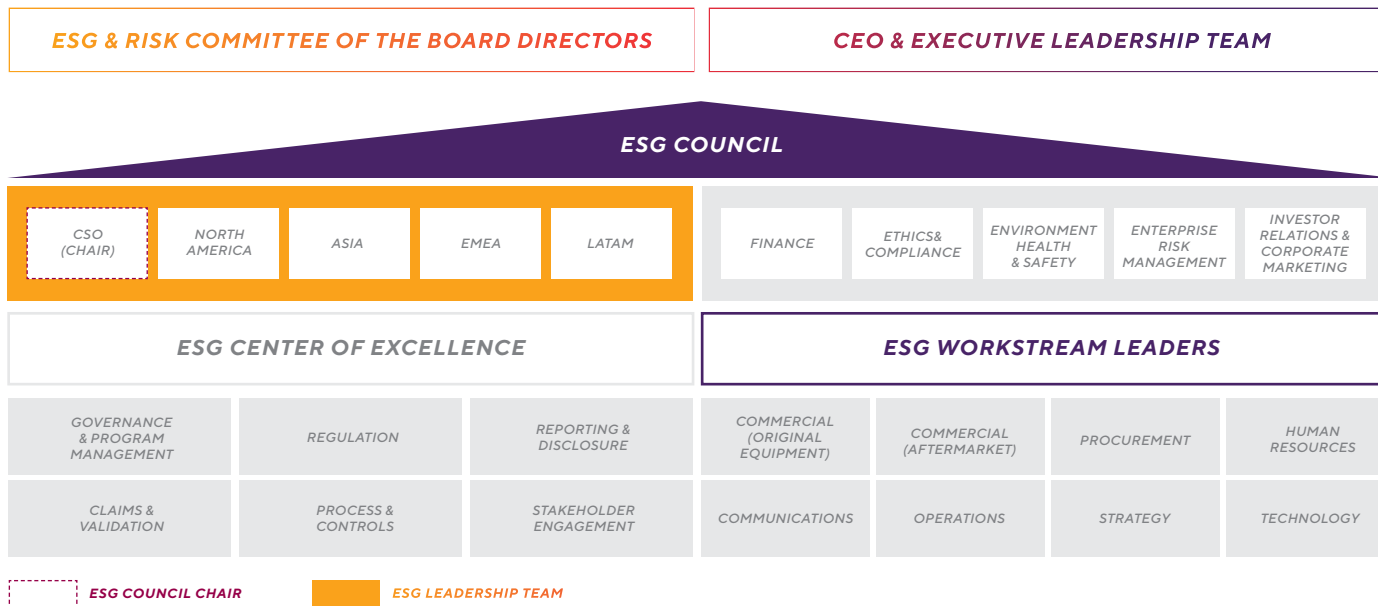
Our Sustainability Blueprint set a broad vision in 2020 “to operate to the highest level of performance at every location, in every situation, and at all times in a manner that is protective of both people and the environment – enabling inclusive and sustainable growth.”

As critical next steps in the implementation of our blueprint, we established corporate governance, defined management discipline and set long-term enterprise commitments to continue our journey.

OVERSIGHT AND ACCOUNTABILITY

This year, we formed an enterprise ESG Council of cross-functional senior management was formed to support the Clarios Executive Leadership Team (ELT) with setting and executing our ESG strategy. Chaired by our Chief Sustainability Officer (CSO), the council reports to the ELT and the ESG and Risk Committee of the Board of Directors on matters related to the:

- Identification of material ESG topics and company strategies to address them.
- Developing, implementing, and monitoring initiatives, policies, key performance indicators and targets as well as long-horizon enterprise commitments.
- Monitoring, assessing developments relating to and implementing ESG and sustainability best practices as well as increasing regulatory requirements, stakeholder and customer expectations.



A group of critical subject matter experts from across the business functions has been assembled into an ESG Center of Excellence to drive the internal systems of controls, policies, practices and procedures, support enterprise ESG competency development, and program management support.

In addition, ESG Workstream Leaders have defined teams of regional and business unit leaders to ensure coordinated implementation and alignment of our ESG strategy.

ENTERPRISE RISK MANAGEMENT

Linked to the strategic planning process, compliance and internal audit, Clarios Enterprise Risk Management (ERM) provides a formal process to identify and document key risks and opportunities perceived by a variety of stakeholders. This discipline establishes a common framework and terminology to ensure consistency in identification, reporting, analysis and management of key risks and opportunities. An ESG and Risk Committee of the Clarios Board of Directors oversees the ERM program by providing feedback, guidance and direction on the process, procedures and results, and will escalate any new risks that should be elevated to the executive committee.

Identified risk and action plans are reviewed with leadership and the Board of Directors on a quarterly basis. The Board of Directors meetings regularly include strategic overviews by the CEO that describe the most significant issues affecting our company, including risks associated with our financial forecasts, business plan and operations. In addition, the Board of Directors regularly receives updates from our business-unit leaders, the general counsel, and other functional leaders.

MATERIALITY

Clarios has established internal governance processes and procedures to guide its approach to identifying the ESG issues that are material to the company as an integrated part of the Clarios ERM program.

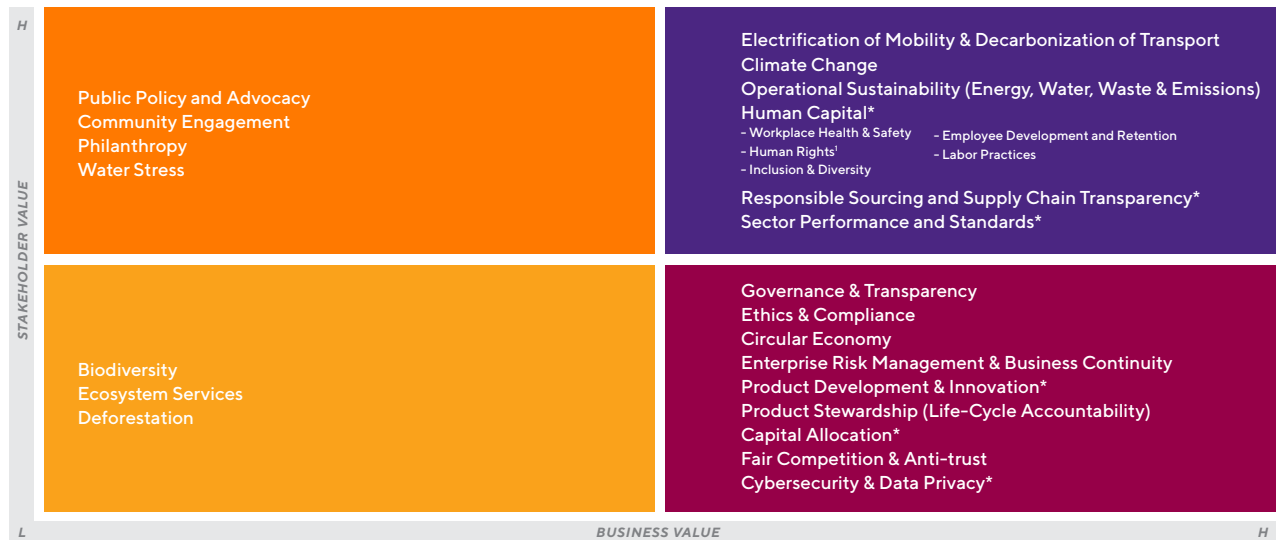
A formal process has been completed to identify and prioritize the risks and opportunities that are most likely to impact the business and stakeholder relationships. As a result, we are better able to understand our stakeholders' needs and expectations. By considering both financial and non-financial impacts of identified ESG factors, we will continue to be well positioned to effectively manage risk and opportunities that may have short- and long-term sustainability implications for business performance and reputation.

Specifically for this reporting cycle, Clarios developed formal internal guidance on the materiality process, conducted peer and industry research, integrated its research findings with previous materiality assessments, and compiled a preliminary list of material topics.

The preliminary materiality assessment was provided to a representative group of internal and external stakeholders to validate the results. The final materiality assessment and map were approved by the company's ESG Council and

Executive Leadership Team and subsequently reviewed by the ESG and Risk Committee of the Board of Directors. These material issues will continue to support the prioritization of our ESG strategy, programs and disclosure efforts.

CLARIOS MATERIALITY ASSESSMENT



* Generally representative of 2022 ERM Clarios Leadership top risks

MANAGEMENT DISCIPLINE

Our ESG management discipline consists of five distinct work-processes that enable us to effectively deliver and implement our strategy:

*Assess
Materiality*

*Define &
Execute Goals*

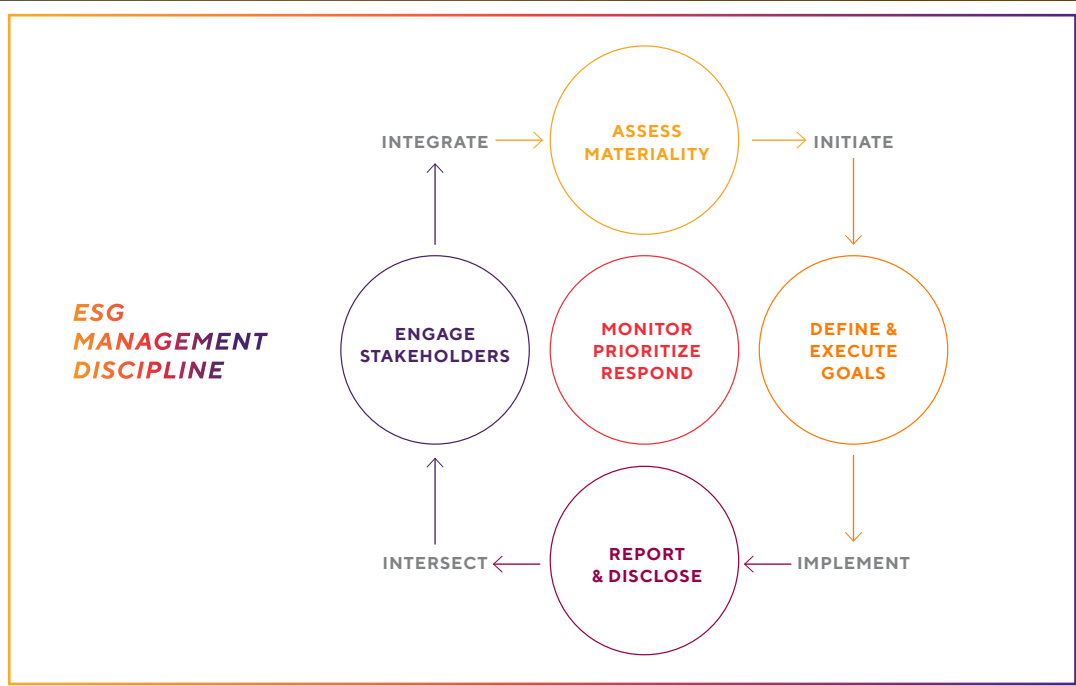
*Monitor, Prioritize
& Respond*

*Report &
Disclose*

*Engage
Stakeholders*

These processes empower the team to initiate, implement, interact and integrate ESG across our business and continue to deliver value while meeting increasing expectations and demands. This structured approach enables us to effectively navigate the evolving ESG landscape and respond to new priorities.

Our discipline builds upon established policies and procedures covering Ethics and Compliance; Finance; Environment, Health and Safety; Risk Management; Human Rights and Labor; Quality; and Supplier Sustainability as well as the handling of mergers, divestitures or other material changes to our business.



“

Our deliberate and intentional approach is helping us deliver a lower footprint and more sustainable solutions.

No one in our industry is better positioned – with a more comprehensive and integrated approach – to help drive a sustainable future.

”

ADAM MUELLERWEISS
CHIEF SUSTAINABILITY OFFICER

Our Commitments

Since the launch of our Sustainability Blueprint, we have taken a deliberate, disciplined and intentional approach to define enterprise public commitments, science-based targets and reporting requirements to help us demonstrate how we leave the world better than we found it. This started by establishing our baseline performance in 2021 and implementing additional process and controls discipline in our 2022 reporting.

As outlined further in this report, we are proud to set four strategic enterprise commitments following extensive stakeholder engagement, analysis of material topics and global trends, and evaluation of evolving Environmental, Social, Governance and Sustainability expectations.

**OUR COMMITMENT
TO ENERGY AND
EMISSIONS**



*Commit to a Science-Based Target Initiative
Scope 1 and 2 greenhouse gas reduction*

**OUR COMMITMENT
TO HEALTH
AND SAFETY**



*Set the bar for workplace safety through
prevention and proactive engagement*

**OUR COMMITMENT
TO INCLUSION
AND DIVERSITY**



*Harness the power of an increasingly diverse,
broad and highly-skilled talent pool*

**OUR COMMITMENT
TO PHILANTHROPY**



*Catalyze strategic contributions
to multiply impact*

We will build on our established reporting discipline to ensure transparency and accountability as we implement and ultimately achieve our goals over the next decade. This includes progress reporting in our subsequent ESG and sustainability disclosures.

Environmental

ENERGY AND GREENHOUSE GAS EMISSIONS

Our circular supply chain significantly lowers our energy and greenhouse gas (GHG) footprint by using recycled materials versus virgin materials. The lead-acid battery is unique since the two main components can be sourced from used batteries. The reuse of the metals from used batteries results in 90% lower GHG emissions than processing primary ore from a mine. And the ability to recycle the plastic from used battery cases decreases the energy required by 90%, compared with virgin plastic made from oil or natural gas. In addition, innovative PowerFrame® technology embedded in Clarios batteries uses 20% less energy and releases 20% fewer GHG emissions than traditional platemaking manufacturing methods.

We've established our baseline GHG accounting in our last report and continue to improve our Scope 1 and 2 GHG accounting. Through our commitment to energy and emissions, we will commit to a Science-Based Target for reductions in both Scope 1 and 2 GHG emissions. Our intent is to further define our material Scope 3 emissions associated with our supply chain. This includes evaluating a life-cycle approach as a potential tool to help estimate our Scope 3 emissions.

OUR COMMITMENT TO ENERGY AND EMISSIONS



Commit to a Science-Based Target Initiative Scope 1 and 2 greenhouse gas reduction

We have submitted our commitment letter to the Science-Based Target Initiative to establish a Scope 1 and 2 absolute greenhouse gas enterprise reduction commitment.

Our forward-looking target will be set on a fiscal 2021 baseline.

We will continue to drive greenhouse gas reductions commensurate with the expectations of the initiative as our targets are finalized.

ENERGY AND GHG EMISSIONS METRICS

	FY20 DATA	FY21 DATA	FY22 DATA
GHG emissions – CO2e Scope 1 (Utilities: natural gas, propane, diesel) ¹	225,340 MT	211,496 MT	197,685 MT
GHG emissions – CO2e Scope 1 (Recycling process GHGs: anthracite coal, coke, sodium carbonate, polypropylene, polyethylene) ¹	285,539 MT	281,666 MT	274,381 MT
GHG emissions – CO2e Scope 2 (Utilities: electricity and steam)	774,134 MT	789,217 MT	768,998 MT
Total Energy Consumed ¹	10,779,688 gigajoules (2,994,358 MWh)	10,950,763 gigajoules (3,041,878MWh)	10,492,429 gigajoules (2,914,564 MWh)
Percentage Grid Electricity ²	62%	65%	66%
Percentage Renewable ³	0.08%	0.02%	0.12%
Percentage of plants certified 50001 ⁴	22% (100% of plants in Europe, the Middle East and Africa)	22% (100% of plants in Europe, the Middle East and Africa)	22% (100% of plants in Europe, the Middle East and Africa)
Revenue from clean tech projects and products (i.e., fuel efficient or emissions reducing) ⁵	\$1.8 billion	\$2.6 billion	\$2.8 billion

¹ FY21 figure restated due to corrected unit of measure conversion

² FY20 & 21 figures restated due to improper calculation per definition

³ FY20 & 21 figures restated to increase data fidelity

⁴ FY20 & 21 figures restated to include additional location in EMEA region

⁵ AGM and Enhanced Flooded Battery (EFB) Revenue

ENERGY MANAGEMENT AND OPTIMIZATION

Across our operations, we carefully evaluate our energy consumption and seek greater efficiencies and opportunities to further mitigate GHG emissions. Through our “Energy Hunt” program, we identify and apply energy savings at our manufacturing facilities such as repairing compressed-air leaks, installing heat-recovery systems, improving lighting efficiency, and making our processes more energy efficient. Since 2020, the Energy Hunt program has saved over \$8.9 million globally. We have also certified all our European facilities to the ISO 50001 Energy Management Standard.

WASTE

Clarios plays an integral role ensuring used batteries are responsibly recycled and are not abandoned in garages, on the side of the road or in landfills. Lead-acid batteries are designed and built not only to provide power throughout their useful life, but also to be readily collected, recycled, and converted back into new batteries — altogether avoiding their disposal at end of life.

We use a cradle-to-grave approach that has helped make these batteries the most recycled consumer product in most countries while minimizing, recovering, and safely disposing of waste in a manner that complies with regulations and protects human health and the environment.

We continuously improve the use and reuse of materials to better make batteries while challenging ourselves to find new ways to further reduce waste and reintroduce additional recycled materials into our plants.

Our circular supply chain begins when used batteries are safely collected and transported by our licensed and insured logistics partners. The next step is the physical separation of the primary components that make up a battery: plastic, electrolyte and lead enabling the recovery of lead and plastics to make new batteries.

Polypropylene plastic is washed and pelletized for use in new battery cases. The electrolyte is chemically processed to capture residual lead then neutralized for disposal or converted into sodium sulphate, which can be sold for use in other sectors. Solid lead is segregated, cleaned and used to make new battery alloys. Lead compounds in paste-form require a process known as smelting to recover battery-grade material.

Smelting removes sulfur and oxygen from lead compounds using a thermochemical process, which adds iron, sodium and a carbon source at temperatures approximately 1000°F. Results are high purity lead and a mineral-like byproduct comprised of sodium, iron, and phosphate called slag.

The more batteries recycled, the more slag produced from smelting. In many countries, slag may be considered non-hazardous based on its chemical characteristics. In some countries, most notably in Mexico, it is regulated as a hazardous waste, regardless of its chemical characteristics, and legal requirements dictate disposal in a hazardous waste landfill. Due to this regulatory requirement, we generated over 75,000 metric tons of slag in Mexico in FY22, accounting for over 40% of our total hazardous waste generated.

The reason the lead-acid closed loop works well today is because there are appropriate waste regulations and enabling incentives that are not yet fully established for lithium-ion and other advanced battery chemistries. Our focus is to leverage our circular economy expertise in partnership with other leading stakeholders to build a sustainable ecosystem and avoid disposal of advanced batteries.

WASTE METRICS

	FY20 DATA	FY21 DATA	FY22 DATA
Total amount of waste from manufacturing	237,684 MT	261,231 MT	229,781 MT
Percentage of waste generated from manufacturing operations that is hazardous	80%	80%	74%
Waste diverted from landfill	69,215 MT	79,246 MT	85,344 MT
Percentage of waste generated from manufacturing operation that is recycled	29%	30%	37%
Amount of hazardous waste generated	190,834 MT	208,353 MT	169,513 MT
Percentage of hazardous waste recycled	16%	17%	20%
Percentage of sites with hazardous waste operations and emergency response (HAZWOPER) certification or that are compliant with ISO 14001	96%	100%	98% ¹
Average recyclability of auto parts sold	100%	100%	100%

¹ FY22 decrease due to a single operation moving locations requiring its own certification

WATER

Most of the water we consume goes directly into our manufacturing processes, and the vast majority of the water we purchase comes from local water utility companies. Stringent procedures are in place to prevent accidental discharges and spills as part of our global operating discipline.

To inform our water-conservation initiatives, we have updated our water risk evaluations for our facilities using the World Resources Institute Aqueduct™ tool following its baseline (current), 2030 and 2040 scenarios. This tool uses a comprehensive data set to identify and evaluate water risks around the world.

We contain, recycle and continuously reuse battery wash water or use for acid mixing. For example, our water conservation efforts include closed-loop acid recycling systems in which acid is reused to achieve the desired acid concentration as well as pasting recycling systems where acid and oxide form a paste within a closed-loop system minimizing releases into the wastewater treatment system. In addition to this innovative water reclamation and reuse at our manufacturing facilities, our corporate headquarters is supplied through a 30,000-gallon rooftop cistern to capture and reuse rainwater.

WATER METRICS

	FY20 DATA	FY21 DATA	FY22 DATA
Water consumed ¹	3,082,920 M ³	3,227,611 M ³	3,224,415 M ³
Number of reportable water spills or pollutants	7	1	1
Water risk percentage (Current and Projected) ²	2021: 23%	2022: 27%	2023: 24%
	2030: 38%	2030: 41%	2030: 40%
	2040: 40%	2040: 43%	2040: 40%

¹FY20 & 21 figures restated due to updated information from plants

²WRI Aqueduct Tool used to generate analysis

**CLARIOS
HIGHLIGHT**

Water Conservation

WATER REDUCTION IN BRAZIL

In Brazil, employees at our Sorocaba facility replaced five tanks, essential to the new battery formation process. These new tanks will reduce industrial water use at the facility by 2-5% each year. In addition, the new tanks are equipped with an exhaust system that improves internal air quality. The system is now automated which also increases operator safety. This project, developed by the Clarios Germany team, has been implemented in Mexico, Colombia and Brazil.

RAINWATER COLLECTION SYSTEMS EMEA

Since 2016, our battery recycling facility in Krautscheid, Germany, has been collecting and treating rainwater for cooling and sprinkling in our industrial processes. We also use rainwater to replenish water levels at a nearby creek. In 2022, we captured, treated and added 30,000 cubic meters of clean water into the creek that runs near our facility.



“

We're always looking to think differently to continuously reduce our impact on the environment and keep our employees safe and healthy.

”

JERAMY LEMIEUX
VICE PRESIDENT OF ENVIRONMENTAL,
HEALTH AND SAFETY

Social

OCCUPATIONAL HEALTH AND SAFETY

At Clarios, every day begins with a commitment to ensuring our employees can work safely and effectively.

Clarios facilities are governed by a global Environmental, Health and Safety (EHS) policy that establishes operating principles for our company and all our employees, contractors and visitors.

It includes the documentation, implementation and maintenance of our EHS policies, procedures and data collection to support consistent delivery of our initiatives. Our plants are incentivized based on the level of achievement in a variety of different health and safety topics.

Our total recordable incident rate (TRIR) adheres to the U.S. Occupational Safety and Health Administration's (OSHA) guidelines and is measured by the ratio of total number of recordable incidents to total number of hours worked by all employees.

In May 2019, in addition to TRIR we made Serious Safety Incidents (SSI) a key area of focus. SSIs are defined as any incident that results in a fatality or permanent disability. In 2021, we began to transition to Serious Potential Incidents (SPI) as a proactive key performance indicator across our operations to complement TRIR. In 2022, we have accelerated those efforts based upon positive improvements seen across our operations.

To fuel this transition, we made the decision to shift time, energy, and resources away from the traditional focus on Recordable Incidents and instead focus those resources on high-risk activities. As a result, we've seen our TRIR rates rise slightly while concurrently seen a sizeable reduction in SPI case rates. Through our enterprise commitment to health and safety we will set the bar for workplace safety through prevention and proactive engagement.

OUR COMMITMENT TO HEALTH AND SAFETY



Set the bar for workplace safety through prevention and proactive engagement

Will not exceed a total recordable incident rate of 1.0

We aspire to zero serious safety incidents

We seek to have no repeat Serious Potential Incidents

We continue to take steps to ensure all our employees can report to a safe work environment every day. Unfortunately, in 2022, two Clarios employees at our Winstom-Salem plant were involved in a workplace violence altercation which resulted in the death of one employee. Workplace safety remains a top priority.

We are working to secure the SAFE Workplace Certification through The Center for Personal Protection and Safety, Inc. This independent validation ensures the development and implementation of a comprehensive Workplace Violence Prevention and Intervention program integrating national standards, OSHA directives and the latest industry best practices.

HEALTH AND SAFETY METRICS

	FY20 DATA	FY21 DATA	FY22 DATA
Percentage of plants certified 18001 or 45001	100%	100%	98% ³
Lost time incident rate	0.22	0.29	0.41
Total recordable injury rate	0.57	0.65	0.85
Number of incidents ¹	92	115	147
Number of fatalities	1	0	0
Serious Potential Incident Rate ²	-	0.17	0.12

¹Clarios defines number of incidents to be number of incidents that meet the OSHA recordable definition.

²SPI Incident Rate is a new metric to align with updated EHS policies. Data is unavailable for baseline year (FY20).

³FY22 decrease due to a single operation moving locations requiring its own certification.

PROTECTING OUR WORKFORCE

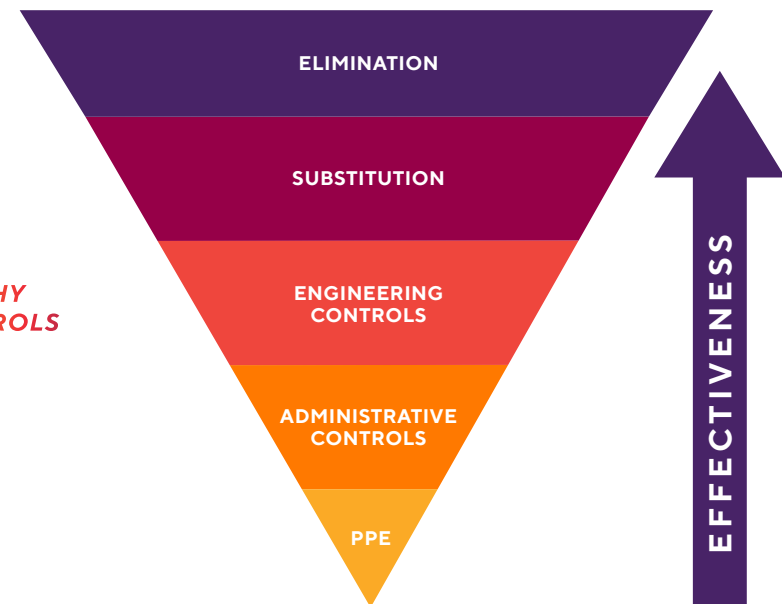
In addition to common hazards often found in manufacturing environments, we recognize the unique risks associated with our battery production and recycling operations.

To manage these risks, Clarios implements the Hierarchy of Controls. This hierarchy was established by the National Institute for Occupational Safety and Health that is based on global best practices and governed by the Centers for Disease Control and Prevention. It also incorporates investments in hazard elimination and substitution wherever possible.

We augment these measures through a series of engineering and administrative controls. This ensures employees are protected when working with potentially harmful materials by providing specially selected personal protective equipment (PPE) and comprehensive training.

These guidelines are incorporated into our process-design standards, pollution-control strategies, indoor air management practices, PPE selection, clean-side/dirty-side infrastructure and employee training – all informed on a regular basis by robust industrial hygiene data.

HIERARCHY OF CONTROLS



CLARIOS
HIGHLIGHT

Safety is a Team Effort

EMEA FORKLIFT SAFETY

We encourage employees at every level to take steps to keep each other safe. Our EMEA team did just that, tackling the challenge of preventing forklift and pedestrian accidents in their plants. To prevent employees and forklifts from being in the same area, our EMEA team developed a process to increase awareness, assess our actions, train our employees and provide updated resources to employees.



More than 500 actions have been implemented including plant layout changes, separated pedestrian corridors, and the use of automated guided vehicles with collision avoidance.

Pictured here is a separated pedestrian walkway and improved physical barriers.

INCLUSION AND DIVERSITY

At Clarios, we promote an inclusive and diverse environment in which everyone can contribute to our success.

This is a competitive advantage enabling us to solve problems more creatively, make decisions more thoughtfully and identify opportunities more proactively. That’s why we seek to attract, develop and empower individuals with a wide range of experiences, capabilities and viewpoints.

We work collaboratively, interacting in ways that promote mutual trust and respect. Our employment decisions are based on qualifications, aspirations and performance, never on prejudice or bias. At Clarios, we do not tolerate discrimination on the basis of race, color, religion, national origin, gender, pregnancy, age, disability, sexual orientation, gender identity, marital status, military service or any other status protected by law.

Valuing what makes each of us unique broadens our perspectives and stimulates new ideas. When everyone feels they can participate in our success, our employees, customers and investors all benefit. Through our enterprise commitment to inclusion and diversity, we will harness the power of an increasingly diverse, broad and highly-skilled talent pool for today and tomorrow.



OUR COMMITMENT TO INCLUSION AND DIVERSITY



Harness the power of an increasingly diverse, broad and highly-skilled talent pool

All senior leaders have received training on how to empower more aware, inclusive and diverse teams. Our salaried employees around the world are targeted to receive this training by 2028.

We are committed to continuing to ensure our regional leadership is representative of and from the region they lead – providing a candidate pool for corporate management.

We will make measurable steps to materially improve our talent pipeline of diverse candidates and U.S. veterans to build our employee base of today and tomorrow.

INCLUSION AND DIVERSITY METRICS

	FY20 DATA	FY21 DATA	FY22 DATA
Percentage of women in position of senior management (VP) and above	24%	26%	23%
Number of women in positions of senior management (VP) and above	12	13	11
Total number of positions of senior management (VP) and above	49	50	47
Percentage of women on board of directors	11%	18%	20%
Number of women on board of directors	1	2	2
Total number on board of directors	9	11	10



CLARIOS HIGHLIGHT

Employee Engagement

EXTND (Educate. eXpand. Transform. Network. Develop.) is a Clarios group originally established in 2016 in the U.S. This group is focused on connecting with students to provide networking, education and community outreach opportunities to strengthen diversity and inclusion in STEM fields. Employee-led and driven initiatives continue to grow. For example, in Mexico, employees are engaged in the Women’s Network, LGBTQ+ Network and Generations. Clarios supports and encourages employee driven resource group activities around the world. We are proud of our employees and their commitment to diversity, to each other, to the company and to making a difference.

TALENT DEVELOPMENT AND TRAINING



We attract talented people, develop their potential and set them up to succeed. In addition, strategic talent reviews and succession planning occur on an annual basis globally and across business areas.

Our employees engage in meaningful conversations with their managers to share aspirations and opportunities for career development. Concrete development plans are established to align individual career goals with organizational priorities.

We emphasize real-life, real-time learning that enables our employees to meet the demands of challenging and changing work. The company’s approach to learning focuses on reinforcing key principles that are designed to support each individual’s effectiveness.

Two examples of this are the Engineering College Graduate Rotational Program (CGRP) and Finance Rotational Program (FRP), early career development programs that target recent graduates.

The CGRP prepares graduates for the rigors of designing and engineering energy storage solutions, through four rotational assignments to learn how our current products are manufactured and new ones are developed and launched. The FRP offers graduates diverse business experiences across a broad array of four or more finance assignments over three years, with the objective to build future finance leaders.

Participants are offered a permanent position upon successful completion of these programs.

Since the CGRP inception in 2015, 21 engineers (17 in the U.S. and 4 in Mexico) have been hired into the product engineering function. Since reintroducing the FRP in 2022, we have hired 5 employees to the program with an anticipated completion date in the next two to three years.



As the first generation in Mexico, I can say that the program helped us to consolidate strong knowledge of the business, our products, our processes and our people. The CGRP is a great initiative to retain young talent and allow new generations to share their ideas and energy.



FATIMA GUERRERO
UNIVERSIDAD AUTONOMA DE NUEVO LEON ENGINEERING GRADUATE

TALENT DEVELOPMENT AND TRAINING METRICS

	FY20 DATA	FY21 DATA	FY22 DATA
Percentage of employees completing ethics training ¹	99%	100%	99%

¹Based on online employees

CLARIOS
HIGHLIGHT

2022 Intern Program

TALENT DEVELOPMENT TRAINING PROGRAM

Clarios welcomed more than 70 interns from colleges and universities across the globe to offer them exposure, training and knowledge about our critical business functions. Throughout the summer, interns engaged with leaders and participated in weekly professional development sessions.



One of our interns had this to say about the program:



“

Clarios has given me a great opportunity to demonstrate and strengthen my skill set. Over the last 12 weeks, I have had the chance to work on projects in several departments and network with professionals across the organization.

”

DOMINIQUE WARD
HR INTERN TOTAL REWARDS

COMMUNITY ENGAGEMENT

At Clarios, we see both a responsibility and an opportunity to support the communities in which we operate. Our goal is to not only support but also participate in them. We foster local community involvement by our employees at every level to give back through charitable giving and volunteering.

Given our global presence and scale, we also recognize the important role we play to address causes that impact our world community. Through our enterprise commitment to philanthropy, we will continue to catalyze strategic contributions to multiply impact.

We take pride in making a positive impact in the communities where we live and work.

SHOWN ON THE RIGHT ARE A FEW EXAMPLES OF OUR EMPLOYEES MAKING A DIFFERENCE THROUGH VOLUNTEERING, ENGAGEMENT AND CHARITABLE ACTIVITIES.

WISCONSIN
UNIVERSITY OF WISCONSIN-MADISON
MADISON
Executed Engineering Tomorrow's Careers high school STEM training on batteries

United Way
Greater Milwaukee & Waukesha County
MILWAUKEE
Raised funds for the Milwaukee community in partnership with United Way and United Performing Arts Fund

96plus
HANOVER
Collected and distributed materials for schoolchildren in need with 96plus soccer club

PRIDE CONNECTION
MEXICO
MONTERREY
Represented Clarios in Monterrey's diversity march

Prefeitura de SOROCABA
SOROCABA
Planned and restored a water-way ecosystem in partnership with Sorocaba City

ACROSS CZECH REPUBLIC
Led reforestation efforts with the Nature Conservation Agency of the Czech Republic

CLARIOS in ACTION
ASIA
Hosted and facilitated virtual courses for children across rural China

unicef
American Red Cross
GLOBALLY
Provided refugee and rapid disaster response support

OUR COMMITMENT TO PHILANTHROPY



Catalyze strategic contributions to multiply impact

From our inception through 2030, the company will have provided directly or catalyzed via funding matches \$50 million for support of children's health and the environment and sustainable communities.

\$15 million catalytic matching grants secure a total of \$30 million to support children's health and the environment and sustainable communities by 2028

By 2026 our contributions will support UNICEF to achieve:

- 1 million care givers educated
- 5,000 health workers trained
- 700 youth activists engaged
- 30 countries with active programming

**CLARIOS
HIGHLIGHT**

Philanthropy in Action

THE CLARIOS FOUNDATION

We formed the Clarios Foundation in 2020 to support three focus areas: Children’s Health and the Environment, Circular Economy Innovation and Entrepreneurship, and Sustainable Communities. The Clarios Foundation invests its resources in specific projects and initiatives that complement our approach to catalytic philanthropy.

In 2020, the Clarios Foundation was a founding partner with Pure Earth and UNICEF of the Protecting Every Child’s Potential (PECP) initiative. UNICEF’s implementation of the initiative worked to protect more than 70 million children in Mexico, Bangladesh, Georgia, Ghana and Indonesia against childhood lead poisoning. Clarios Foundation’s investment has also supported UNICEF’s life-saving work for vulnerable children and families affected by conflict and contributed to UNICEF’s global response to the COVID-19 pandemic.

Starting in 2023, the partnership with UNICEF will build upon our existing work to protect children’s health from environmental degradation and climate change, including risks such as extreme heat, air pollution and many others. The program aims to strengthen responsive primary health care that can help children at risk today, and mobilize broader multisectoral action, including the involvement of young people.

UNICEF does not endorse any company, brand, product or service. ©UNICEF/UN0236711/Seng.



HUMAN RIGHTS

In addition to promoting responsible sourcing, we recognize the need to focus our efforts on mitigating risks associated with conventions from the United Nations Global Compact (UNGC) and the International Labour Organization (ILO). Clarios' Human Rights Policy aligns with the Modern Slavery Act 2015 and complies with all national and local laws and regulations of the countries in which we operate.

We are committed to respecting and protecting human rights throughout our operations and supply chain by operating by these principles:

1. We do not engage in child labor and employ only workers who are at least 16 years old.
2. We prohibit the use of forced, bonded, indentured or involuntary prison labor.
3. We prohibit the engagement in slavery or human trafficking or practices that support human trafficking, including transporting, harboring, recruiting, transferring or receiving persons by means of threat, force, coercion, abduction or fraud for labor or services.
4. We comply with all applicable wage laws, regulations, and relevant collective bargaining agreements, including those relating to minimum wages, hours, overtime hours and legally mandated benefits.
5. We prohibit the withholding of any part of any person's salary, benefits, property or documents to force such personnel to continue working for the organization.
6. We respect our employees' voluntary freedom of association, including their right to organize and bargain collectively in a manner that is legally compliant; legally recognized workers' representatives will have access to facilities necessary to carry out their required functions; and we will not discriminate against such workers' representatives.
7. We encourage open communication and direct contact between workers and management in situations in which representation and collective bargaining are restricted by law.
8. We maintain workplaces free of physical or mental harassment and abuse.
9. We maintain workplaces free of unlawful discrimination and harassment in all of its forms, including related to race, gender, sexual orientation, age, pregnancy, caste, disability, union membership, ethnicity, religious beliefs or any other factors protected by law.
10. We respect the special needs of individual employees, including those who are pregnant or are returning to work after childbirth.
11. We respect our employees' rights to privacy of their personal information.

In addition to our workers' safety, Clarios respects freedom of association and our employees' right to collective bargaining. Approximately 64% of our employees are covered by collective bargaining agreements or works councils, including health and safety topics covered by these agreements. We believe strongly in providing all employees a safe place to work no matter their location or union association.

Clarios communicates that support through its Code of Ethics, which applies to all employees and our suppliers. In the European Union, Clarios' health and safety programs are subject to Works Council review and approval and to collective-bargaining agreements in certain countries.

In addition, Clarios offers competitive benefits packages for our employees in compliance with national and subnational laws, including those governing vacation, childcare, and parental leave, and remains competitive with peers based on geography.

SA8000 SOCIAL ACCOUNTABILITY STANDARD

The SA8000 Social Accountability International Standard certification is focused on human rights standards within the principles of the United Nations Global Compact. The eight key standards are based on internationally recognized principles including the International Labour Organization Convention, Universal Declaration of Human Rights and national laws. For us, the principles behind SA8000 are part of our every day, embedded in our work culture and reflected in our Code of Ethics.

We have maintained the certification for four plants in Mexico and one in Colombia since 2020. In 2022, the Celaya battery manufacturing plant in Mexico was included in this process with continued certification plans in this region stretching through 2023 and 2024. Clarios continues to monitor and measure our performance in the eight areas included in the Standard through the implementation of management systems by plant level Social Performance Teams.

CLARIOS HIGHLIGHT

Clarios Mexico's Celaya plant obtains SA8000 certificate

Clarios employees at our Celaya plant in Guanajuato, Mexico, recently secured the SA8000 Social Accountability International Standard for their facility. The certification encourages human rights standards among private organizations, as established within the principles of the United Nations Global Compact.

Due to great teamwork, the implementation of the SA8000 management system in Celaya plant was achieved with zero non-conformances, following best practices established from previous SA800 audits at other compliant Clarios plants.

Clarios plants in Mexico, Colombia and the U.S. have been operating with the UNGC human rights principles since January 2020. The Celaya plant is the eighteenth facility in Mexico to obtain the certificate. Pictured here are members of the Celaya Plant team who helped make this possible.



Governance

CLARIOS CODE OF ETHICS

The Clarios Code of Ethics guides all of our processes and actions as a company. It sets our policies across a wide array of areas and provides specific guidance on the behaviors that allow us to implement our culture globally. It encompasses the following topics:

- | | | | |
|--|--|--|---|
| Speaking up and getting help | Honest marketing and sales practices | Third-party intellectual property and commercial rights | Procurement |
| Health and safety | Customer data privacy | Conflicts of interest | Preventing abuses in the supply chain |
| Respectful treatment, preventing harassment and workplace bullying | International trade compliance | Record keeping and disclosure | Supplier expectations |
| Diversity and inclusion | Fair competition and antitrust | Physical property and assets, our reputation, and our confidential and proprietary information | Sustainability and environmental responsibilities |
| Equal opportunity and preventing discrimination | Research integrity and ethically sourcing competitive intelligence | Insider trading and securities market abuse | Community engagement and investment |
| Employee data privacy | Bribery and other forms of corruption | Responsible communications | Political activity and lobbying |
| Product quality and safety | | | |

Compliance with our Code of Ethics and our Anti-Corruption Policy is a condition of employment. Clarios trains its employees on a variety of anti-corruption and related matters, including the Foreign Corrupt Practices Act, anti-bribery statements from our Code of Ethics, and our Code of Ethics more broadly.

All online employees must complete ethics certification. Employees for whom certification is not required, such as plant employees, must demonstrate that they know and understand the Code of Ethics as part of their orientation and as part of their annual job appraisals.

In 2022, 99% of our employees through our e-learning platform are in compliance with the training and certification requirements.

INTEGRITY HELPLINE

A 24-hour Integrity Helpline and online portal is managed by the Ethics & Compliance department and is available to anyone who wishes to raise an ethics or compliance-related concern to the company. The Helpline is available in 16 languages, is operated by an independent third-party vendor, and allows callers to log concerns anonymously.

Concerns are routed to the appropriate function for review and investigation. Statistics are collated quarterly and are reviewed with the global compliance leadership team and presented to the Audit Committee of the Board of Directors.

CLARIOS HIGHLIGHT



Speak up culture

It's one thing to have a Code of Ethics to guide employee behavior, it's another to have a culture where employees can speak up and have their voices heard on Ethics and Compliance issues. In fact, in 2022, 329 concerns were raised through our Integrity Hotline. The company investigated each one to ensure employee concerns were addressed.

This approach ensures our work remains principled and committed — allowing us to make a difference.

SUPPLIERS AND VALUE CHAIN

Clarios understands the influence we have with our suppliers and the industry as a whole to ensure that raw materials are secured safely and sourced responsibly.

We procure our raw materials from a variety of suppliers around the world. The most significant raw materials we use to manufacture our products include lead, polypropylene, separators and sulfuric acid. Generally, we seek to obtain materials in the region in which our products are manufactured in order to minimize transportation and other costs.

We champion supply chain material stewardship and sustainable value chain initiatives.

This includes the Global Battery Alliance’s efforts to ensure essential battery materials “are produced, sourced, processed, transported, manufactured and recycled in a responsible and sustainable manner which minimizes environmental harm, respects human rights and creates benefits for stakeholders along the supply chain.”

We actively support the work of industry associations to drive continuous improvement across the battery supply chain, such as the

Metal Alliance for Responsible Sourcing of the Wirtschaftsvereinigung Metalle, also known as the German Non-Ferrous Metals Association.

Clarios played a leading role driving the formation of the global alliance of the International Lead Association, Battery Council International, European Automotive and Industrial Battery Manufacturers (EUROBAT), and the Association of Battery Recyclers to improve standards in lead battery manufacturing and recycling worldwide, including the Lead Battery 360° initiative.

In addition, this industry alliance has committed to support the efforts of Protecting Every Child’s Potential to advocate for standards of lead battery recycling in low and middle-income countries by reducing the influence of the informal sector.

Since our products contain tin, we complete a conflict minerals assessment every year in accordance with the Responsible Minerals Initiative (RMI) to ensure our suppliers are conflict-free.

CONFLICT MINERALS

We are committed to the responsible sourcing of conflict minerals throughout our supply chain and are guided by our conflict minerals policy. We follow the recommendations of the RMI requiring annual RMI-compliant Conflict Minerals Reports from all our smelter partners.

During the 2022 reporting period, Clarios commenced a reasonable country of origin process with the preparation of a conflict minerals questionnaire using the RMI Conflict Minerals Reporting Template which was distributed to all smelter partners.

We reviewed the responses and when warranted, further evidence was requested to clarify or validate the response. As a result, we believe that Clarios products contain conflict minerals that have been confirmed to be sourced from conflict free smelters.



Lead Battery 360° is a global program established by the four leading associations representing the lead and lead battery industries – the International Lead Association, Battery Council International, EUROBAT and the Association of Battery Recyclers – to unlock the power of lead batteries for a sustainable future.

Lead Battery 360° champions best practices in lead mining, lead production, lead battery manufacturing and recycling, and by encouraging responsible practices along the entire battery value chain through supply chain management and product stewardship.

SUSTAINABILITY ACCOUNTING STANDARDS BOARD (SASB) INDEX

Includes metrics from our report as well as additional SASB sector accounting items we track.

ACCOUNTING METRICS	FY20 DATA	FY21 DATA	FY22 DATA
Total Energy Consumed	10,779,688 gigajoules (2,994,358 MWh)	10,950,763 gigajoules (3,041,878MWh)	10,492,429 gigajoules (2,914,564 MWh)
Percentage Grid Electricity	62%	65%	66%
Percentage Renewable	0.08%	0.02%	0%
Total Amount of Waste from Manufacturing	237,684 MT	261,231 MT	229,781 MT
Percentage of Waste Generated from Manufacturing Operations that is Hazardous	80%	80%	74%
Percentage of Waste Generated from Manufacturing Operations that is Recycled	29%	30%	37%
Number of Recalls Issued	0	0	0
Total Units Recalled	0	0	0
Revenue from Products Designed to Increase Fuel Efficiency or Reduce Emissions	\$1.8 billion	\$2.6 billion	\$2.8 billion
Description of the Management of Risks Associated with the Use of Critical Materials	See Conflict Minerals	See Conflict Minerals	See Conflict Minerals
Percentage of Products Sold that are Recyclable	100%	100%	100%
Percentage of Input Materials from Recycled or Remanufactured Content ¹	80% to 90% of each battery is made from recycled materials	78% ⁴	75% ⁵
Total Amount of Monetary Losses because of Legal Proceedings Associated with Anti-Competitive Behavior	\$0	\$0	\$0
Number of Parts Produced ²	143,024,900	153,951,631	150,033,180
Weight of Parts Produced ³	631,831.5 MT	2,800,627 MT	2,729,656 MT
Area of Manufacturing Plants	1,259,584.62 M ²	1,368,933.78 M ²	1,374,355.97 M ²

¹ Percentage of recycled lead used globally.

² Calculated as number of units sold to align with Clarios public reporting.

³ Calculated as weight of units sold.

⁴ FY21 figure restated due to increased data fidelity.

⁵ FY22 decrease due to changing market conditions
requiring increased use of primary materials.

“

While we are proud of our accomplishments, we also know there is much work yet to do. We look forward to continued collaboration with our partners, suppliers, regulators and other stakeholders to meet this challenge. We understand and acknowledge the urgency of this moment. Guided by our Sustainability Blueprint, we will continue to advance our ESG journey.

” MARK WALLACE
CLARIOS CEO

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