

LTH Castings

SUSTAINABILITY REPORT 2019



Table of Contents

1. MESSAGE FROM MANAGEMENT	3
1.1. LETTER FROM THE MANAGING DIRECTOR	3
1.2. SUSTAINABILITY IS OUR VALUE	5
2. GENERAL STANDARD DISCLOSURES	7
2.1. PRESENTATION OF THE ORGANISATION	7
2.1.1. DESCRIPTION OF THE GROUP'S BUSINESS MODEL	12
2.1.2. POLICY AND DUE DILIGENCE	12
2.1.3. BASIC INFORMATION OF THE GROUP'S BUSINESS OPERATIONS	12
2.1.4. SUPPLY CHAIN	12
2.1.5. COOPERATION WITH OTHER ORGANISATIONS	15
2.1.6. EXTERNAL REVISION OF GROUP POLICIES AND STATEMENTS	15
2.1.7. ORGANISATIONAL CHANGES IN 2019	15
2.2. SUSTAINABILITY REPORT WRITING METHODOLOGY	16
2.3. REPORTING FRAMEWORKS	16
2.4. REPORT PROFILE	17
2.4.1. CONNECTING THE STRATEGIC OBJECTIVES OF THE GROUP WITH THE GLOBAL OBJECTIVES OF SUSTAINABLE DEVELOPMENT	19
2.4.2. OUR MISSION	19
2.4.3. VISION	19
2.4.4. STRATEGIC GUIDELINES AND INTEGRATED MANAGEMENT SYSTEM POLICY	20
2.5. THE COMPANY AND ITS STAKEHOLDERS	23
2.6. EXTERNAL PROPOSALS, PRINCIPLES AND INITIATIVES	26
2.7. MANAGEMENT	27
2.8. ETHICS AND INTEGRITY	27
3. SPECIAL STANDARD DISCLOSURES	29
3.1. ECONOMIC ASPECT OF SUSTAINABLE DEVELOPMENT	29
3.1.1. DONATIONS AND SPONSORSHIPS	32
3.1.2. RISK MANAGEMENT	32
3.1.3. PURCHASE PRACTICE	32
3.1.4. CORRUPTION PREVENTION	34
3.1.5. CONTINUOUS IMPROVEMENT SYSTEM IN THE LTH CASTINGS GROUP	35
3.2. SUSTAINABLE RELATIONSHIP WITH THE ENVIRONMENT	38
3.3. SUSTAINABLE RELATIONSHIP WITH THE LOCAL COMMUNITY	48
3.4. SUSTAINABLE RELATIONS WITH EMPLOYEES	54
3.4.1. EMPLOYMENT POLICY	55
3.4.2. EMPLOYEE STRUCTURE	55
3.4.3. INTERNSHIP AND DECENT WORK	61
3.4.4. HUMAN RIGHTS	62
3.5. RESPONSIBILITY TO BUYERS	63
CONTENT INDEX BY GRI STANDARD	67

1. MESSAGE FROM MANAGEMENT¹

1.1. LETTER FROM THE MANAGING DIRECTOR

We are pleased to present the third report on sustainable development in the LTH Castings Group, summarising our strategy and achievements with regard to sustainable development in the organisation.

Over the last year, the LTH Castings Group has stabilised the rapid growth present in the last decade due to market conditions. The current cessation of growth is also due to the COVID-19 pandemic, which we are facing at this time. With regard to new business development, the LTH Castings Group has taken decisive steps forward, as the newly acquired business once again promises high growth after a period of consolidation.

The expansion of facilities in several locations within the Group will enable growth. The company's growth in the future will further strengthen our role as an important player on the market, as well as enable additional employment and development of the local community. From the business point of view, the last few years were characterised by the following achievements:

- Successful start of production and business performance of the new greenfield plant Alucast in Čakovec.
- Extension of the Trata plant and set up of a high-tech tool making facility.
- Extension of the production area in the Ljubljana plant which will enable the implementation of new strategic projects.
- Strengthening the status of the development supplier and technological excellence.
- Strengthening business relations with our largest buyers based on development support, as well as reliability and high quality.
- Successful start of strategic projects for new buyers in the field of e-mobility.

The automotive market is undergoing transformation from a classic ICE² drive to hybrid and electric vehicles. Competitiveness has further increased to secure market share in the age of transformation. Additional pressure (push) was added by the COVID-19 pandemic. The transformation has an impact on the foundry industry as well. Therefore, it is necessary to focus on the following elements:

- Reducing the number of ICE drives
- Integration of e-mobility (parts for hybrid and electric vehicles)
- Development of technologies for e-mobility components
- Buyer development in the field of e-mobility and supply chain reduction

For us it is essential to monitor these trends and actively respond to them by developing new technologies and improving production efficiency.

The main strategic orientation of the LTH Castings Group includes further growth through high quality assurance and process development. We actively monitor the development of the market and its requirements, and look for business opportunities that have arisen as a result of the COVID-19 pandemic. At the same time, we are developing manufacturing technology and flexible production processes with automation and digitisation (Industry 4.0.).

¹GRI 102-14

²ICE – abbreviation for Internal Combustion Engine

In the field of sustainable development, we carry out activities that will lead us towards carbon footprint-free production in the future. The LTH Castings Group aims to become CO₂-neutral by 2030. To this end, we carry out the following activities:

- Promotion of the use of recycled aluminium alloys
- Implementation of the most energy efficient concepts and energy recovery
 - Use of efficient melting furnaces with integrated preheating
 - Flue gas heat recovery (ventilation)
 - All new plants equipped with heat pumps (implemented at 4 of 6 locations)
 - Use of compressors with heat exchangers
 - Water heating on washing machines with waste heat
 - Replacing lights with LED technology
- Measures to reduce waste:
 - Processing of aluminium slag
 - Return of waste water to the process using evaporators
 - Processing of aluminium shavings
- Continuous education of employees on waste separation

LTH Castings follows the ISO 14001 environmental standards, the ISO 50001 energy standards and renews the corresponding formal certificates annually, the same applies to the Occupational Health and Safety Management System (OHSAS 18001).

The company continues to strengthen its role in the local environment by sponsoring the "LTH Castings" basketball team, as well as other sports, educational, cultural and charitable organisations, and events.

We believe that we can only achieve long-term business success of the company through sustainable development in all areas of our operations.

Thank you for reading the report, we will be grateful for any feedback about possible improvements.

Škofja Loka, August 2020

Andrej Megušar, CEO



Figure 1 Andrej Megušar, CEO

1.2. SUSTAINABILITY IS OUR VALUE³

In both physics and philosophy we find the thought: **Everything is interconnected.** Whether we are talking about globalisation, digitalisation, climate change, political crises or wealth inequalities, people direct everything through our actions – for the better or the worse. Awareness of the responsibility we bear because of this means considering our common good and acting in a sustainable way. However, this is only possible if our measures are not only aimed at short-term profitability, but also take into account the orientations and goals of sustainable development set out in the framework of the United Nations 2030 Agenda for Sustainable Development.



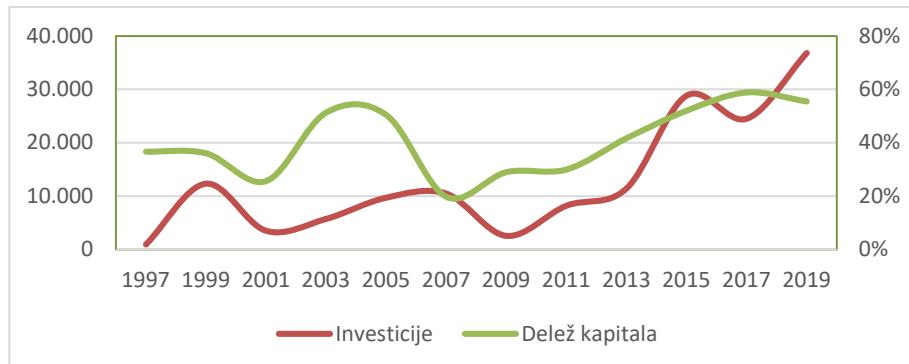
Figure 2 Source: *Zgodba kot ulita (Story as cast)*, LTH Castings, d. o. o., Škofja Loka; 2018; p. 189

The company's successful business operations are the basis for its sustainable development. The financial part of the development strategy focuses on the economical management of the company's assets and a higher level of self-financing. We thus want to finance investments mainly with our own funds and at the same time have a reserve for the implementation of larger, development-oriented investments. The implementation of this strategy is clear from the chart of investment volume and capital growth of the company shown below. In the last five years, three quarters of the generated profit has been reinvested in the growth and development of the company. As a result, the share of capital in the financing structure increased to 60 percent of all sources of funds.

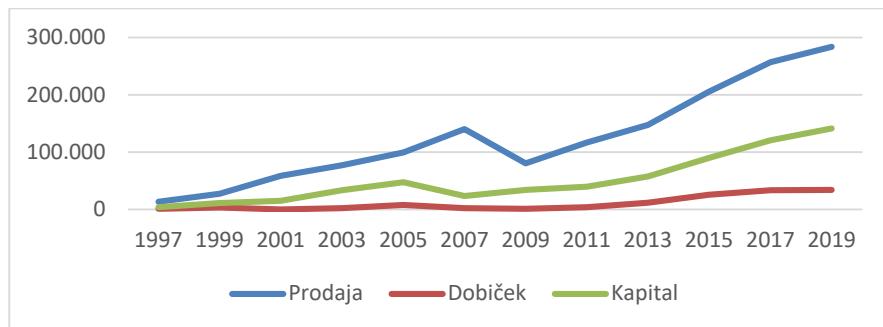
Socially responsible behaviour, as a key element of a sustainable development strategy, is the way of acting and thinking in the group. Integrity, compliance with the law, and responsibility to the people and the environment are the guiding principles for the

³GRI 102-14

management of the LTH Castings Group. Testaments to that are also the obtained certificates of quality assurance related to the requirements of the automotive industry, for the environmental management system, for occupational health and safety, for energy management, as well as the recognitions of our buyers and the realised agreements of the management with trade unions.



Graph 1: Investment volume and movement of the structural share of capital for LTH Castings, d. o. o.



Graph 2: Sales volume compared to capital movements and profit

Volatile environment, rapid changes, requirements for operational excellence and efficiency, and for higher quality require the integration of the entire value chain of the company with the help of digitalisation of processes. The concept, also called Industry 4.0 or Factory of the Future, envisages the inclusion of all subsystems of the company in the digitalisation,

including R&D (*Research and development*), sales, external partners – all connected and integrated into a single system. Automation of data capture at source enables focus on data processing and the creation of relevant information for faster decision making and easier problem solving. The integration of electronic data exchange with external partners enables the establishment of paperless operations and at the same time automates the entry of this data into the information system.



Figure 3 Peter Šifrer, procurator

I am convinced that globalisation, digitalisation and the human desire for individual mobility will continue to provide excellent opportunities for the further development of the company within the automotive industry in the future. We do not simply want to react to what is coming our way, but continue with anticipation and a sense of responsibility.

Peter Šifrer
procurator

2. GENERAL STANDARD DISCLOSURES

LTH Castings d.o.o. sustainably realises social responsibility in all projects and long-term plans at all levels with an awareness of the responsibility of connecting economic, social and environmental objectives.

The data on sustainable operation of the group is collected by the specialist service of the parent company, LTH Castings, which is the rapporteur. Disclosures in accordance with the GRI GS⁴ standards mostly refer to the entire LTH Group. The identified key topics and disclosures in accordance with the GRI GS standard are further explained in the continuation of the report.

In 2017, we reported for the first time on sustainable growth according to 2016 GRI standards. We will continue reporting in accordance with GRI standards in 2019. This is the third report.

2.1. PRESENTATION OF THE ORGANISATION⁵

In 2019, the LTH Castings⁶ Group comprised the parent company LTH Castings d.o.o. and its subsidiaries, LTH Metalni lijev d.o.o., LTH Learnica dooel, and LTH Alucast d.o.o. The latter is a new entity founded at the end of 2015 and is 100% owned by the parent company LTH Castings d.o.o.

Below is the basic information for entities included in the Group⁷.

LTH Castings d.o.o. (parent company)

Company:	LTH Castings, ilitki d. o. o.
Shortened name:	LTH Castings d. o. o.
Registered office:	Vincarje 2, 4220 Škofja Loka, Slovenia
Organisational form:	Limited Company
Company registration court:	Kranj District Court
Share capital:	EUR 17,892,779.00
Ownership on 31 December 2017:	The company is 100% owned by LIOR INVEST d.o.o. Ljubljana
Supervisory board:	The supervisory function is performed by the sole member
Management:	Andrej Kranjec, director to 22/01/2020 Andrej Megušar, director from 23/12/2019 (represents the company together with the CEO or procurator) Peter Šifrer, procurator from 23/12/2019 (represents the company together with the CEO)

⁴GRI 102-54

⁵GRI 102-1, 102-3, 102-5

⁶GRI 102-45

⁷All of the listed business entities are included in the consolidated financial statements.

Subsidiary: LTH Metalni lijev d. o. o.

Company:	LTH Metalni lijev d. o. o.
Shortened name:	LTH Metalni lijev d. o. o.
Registered office:	Benkovačke bojne 21, 23420 Benkovac, Croatia
Organisational form:	Limited Company
Company registration court:	Court in Zadar
Share capital:	HRK 30,148,800.00
Ownership on 31 December 2017:	The company is 100% owned by LTH Castings d.o.o.
Supervisory board:	The supervisory function is performed by the sole member
Management:	Milivoj Knežević, director Mladen Jurada, director

Subsidiary: LTH Learnica dooel

Company:	LTH Learnica dooel
Shortened name:	LTH Learnica dooel
Registered office:	15-ti korpus 89, 6000 Ohrid, North Macedonia
Organisational form:	Limited Company
Company registration court:	Court in Ohrid
Share capital:	MKD 289,131,871.50
Ownership on 31 December 2017:	The company is 100% owned by LTH Castings d.o.o.
Supervisory board:	The supervisory function is performed by the sole member
Management:	Nataša Jovčeska, director Urban Možina, director

Subsidiary: LTH Alucast d. o. o.

Company:	LTH Alucast d. o. o. za lijevanje aluminija
Shortened name:	LTH Alucast d. o. o.
Registered office:	Ulica Republike Austrije 3, 40000 Čakovec, Croatia
Organisational form:	Limited Company
Company registration court:	Court in Varaždin
Share capital:	HRK 29,800,000.00
Ownership on 31 December 2017:	The company is 100% owned by LTH Castings d.o.o.
Supervisory board:	The supervisory function is performed by the sole member
Management:	Tomislav Tot, director Tadej Muhič, director



Figure 4 LTH Castings d. o. o. - Škofja Loka plant, Vincarje



Figure 5 LTH Castings d.o.o. - Ljubljana plant



Figure 6 LTH Castings d.o.o. - Tool making facility - Trata



Figure 7 LTH Alucast - Čakovec



Figure 8 LTH Metalni ljev - Benkovac



Figure 9 LTH Learnica - Ohrid

2.1.1. DESCRIPTION OF THE GROUP'S BUSINESS MODEL⁸

The LTH Castings Group is a process specialist in the field of development, casting, processing and assembly of highly complex components from aluminium, and in the manufacturing of tools for their production. Investment in development, process expertise and highly efficient production represent the basis for innovative, top quality products. The buyers of our products are automotive industries from all across Europe, which selected us as their preferred development partner and supplier. The Group focuses on selling to the buyers, which means that we supply products to the respective locations of the buyers' production facilities within the EU territory.⁹

The continuous improvement approach, which represents the basic principle of our processes and operations, is aimed at business excellence for the entire Group. Our production locations (Škofja Loka, Ljubljana, Benkovac and Čakovec in Croatia, and Ohrid in North Macedonia) comprise an integrated combination, which is able to adapt to the requirements of the buyer both in terms of the full range of product complexity and price efficiency. The integrated tool making facility allows the company to provide development and production services, fast response times and the optimisation of production processes in foundries.

2.1.2. POLICY AND DUE DILIGENCE

The Group systematically manages the environment and energy. Special attention is given to the quality of our products and the impact of our activity on the environment, which is why we have established a uniform quality and environmental management system. The system is presented in the Rules of Procedure and the resulting documents with which we systematically and continuously strive to improve the operation and attain the goals set in the Environmental Management and Quality Policy. At all of its locations, the Group has established and valid certificates IATF 16949, as well as ISO 14001:2015, ISO 45001 and ISO 50001.

2.1.3. BASIC INFORMATION OF THE GROUP'S BUSINESS OPERATIONS

In the 2019 business year, the realised sales income of the Group amounted to EUR 307.2 million, which represents a decrease of EUR 7.8-million (a fall of 2.5%) in comparison with the EUR 315.1 million realised in the previous year.

More detailed information about the business operations for 2019 is available in the framework of the publicly published audited annual report of the LTH Castings Group for 2019 (hereinafter Audited Annual Report). The report is publicly published in the AJPES business register.¹⁰

2.1.4. SUPPLY CHAIN¹¹

The detailed process of raw materials and material purchases is specified in the Rules of Procedure, item 6.6¹². The Rules specify the selection of suppliers and the conditions under which the purchasing officer may procure material. Each purchasing officer is instructed on the method of work by the head of purchasing.

Optimisation of the costs of material and raw materials is ensured by efficient management of the purchase base and raw material risks, rationalisation of stock and close cooperation with the field of production in the search of suitable materials.

⁸GRI 102-2, 102-4, 102-6

⁹GRI 102-6

¹⁰GRI 102-7

¹¹GRI 102-9, 102-15

¹²The Rules of Procedure can be found at intranet.utlth-ol.si (the rules apply to the entire Group).

Aluminium and steel represent the main raw materials for our production.

Purchase of aluminium by countries in 2019:

Country	Share
Austria	2.37%
Czech Republic	5.87%
Germany	16.15%
Hungary	16.36%
Italy	44.87%
Poland	13.86%
Slovenia	52.35%
Total	100.00%

In 2019, the majority of aluminium (approximately 42,000 t) was purchased in the EU member states. The share of the purchase of aluminium, purchased in Slovenia, is a little over 52.35%.

Amount of aluminium purchased per plant and its waste¹³

Country	Amount (t)	Waste (t)
LTH Castings	29,006	2,392
LTH Metalni Ijев	6,459	620
LTH Alucast	1,661	170
LTH Learnica	4,743	386
	41,869	3,568

Given the total amount of purchased Al, the waste generated by the company is approximately 8.5%. The waste comprises Al turnings, briquettes and slag. All waste is sold for recycling.

In the past years, we have struggled to establish a stable and competitive cooperating base in the environments in which we are present.

The purchase is aimed towards competitive prices, and the reliability and development of suppliers.

The main raw materials for the company's own production are:

- aluminium (for castings) and
- steel (for tool making).

In addition to the main raw materials we also require:

- support material,
- maintenance material and
- small items of material.

¹³GRI 301-1

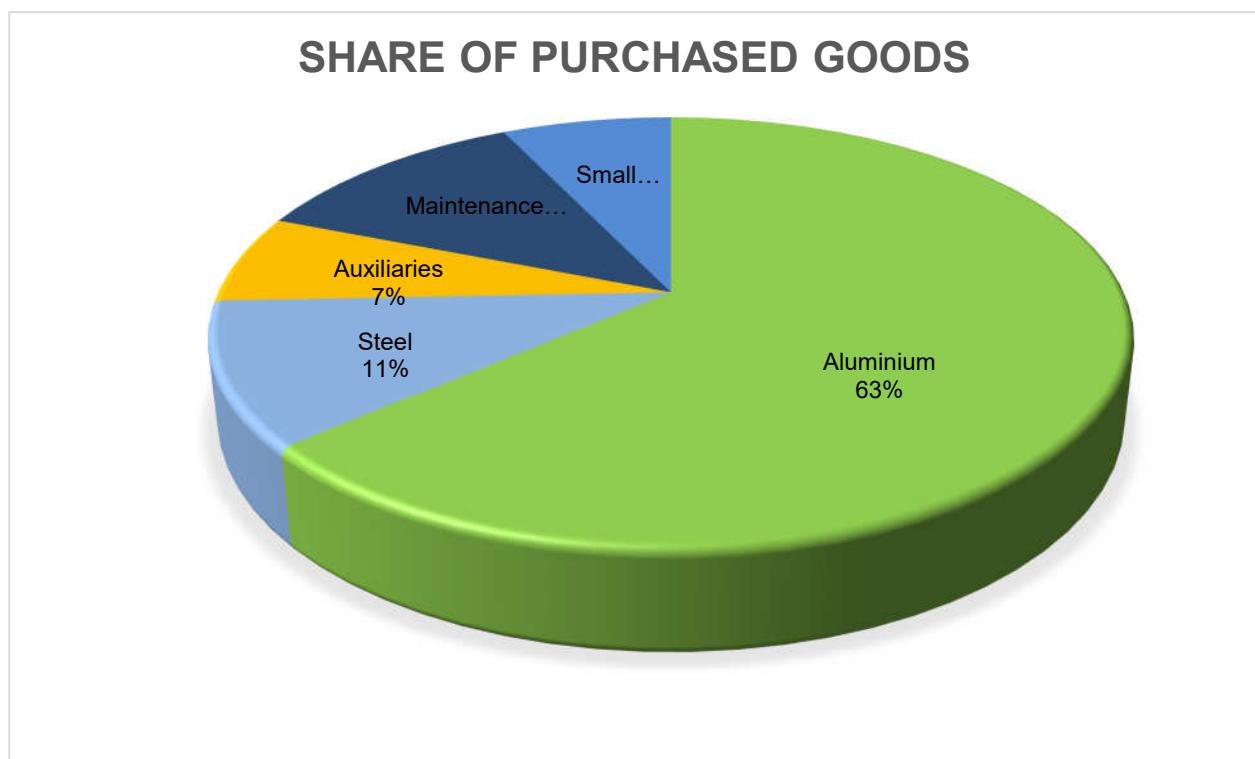


Figure 10: Purchase of goods per shares

The share of the material required by the company for its production is shown in the graph below.

The key priorities in the process of material and raw materials costs management include efficient risk management of volatile prices of raw materials. In the case of aluminium, the company hedges against the risks of volatile prices by adaptable selling prices, which are bound by the quotation of aluminium alloys at raw material exchanges.

The average price of aluminium at the London Metal Exchange (LME) has been at the level of 1.60 Euro per kg for the last 10 years, with various smaller and larger fluctuations of up to 20%. In 2019, the price of aluminium at the LME decreased to an average of 1.62 Euro per kg from its value of 1.79 Euro per kg in 2018. The company has a formula for the movement of alloy prices on the stock exchange included in the sales price calculations. Prices are adjusted to changes in the price of the alloy quarterly or semi-annually, depending on commercial agreements with individual buyers. Steel is the second main raw material required for the manufacturing of tools used to make castings. In 2019, we purchased 620 t of steel¹⁴, with 32 t of it ending up as waste in the form of steel turnings¹⁵. The machine fleet in production, such as robots, lines, CNC machines, etc., were purchased from certified, high quality suppliers; some from agencies in Slovenia and the majority from Germany.



Figure 11: LME aluminium average price

¹⁴GRI 301-1

¹⁵GRI 306-2

2.1.5. COOPERATION WITH OTHER ORGANISATIONS¹⁶

In the framework of its development initiative, the Group established several partner connections with external institutions:

- NELA development centre
- TECOS, tool making development centre
- Faculty of Mechanical Engineering, University of Ljubljana
- Slovenian Foundries Association
- Škofja Loka School Centre

The Group is a member of the following interest associations:

- ACS, Automotive Cluster of Slovenia
- CCIS, Chamber of Commerce and Industry of Slovenia
- Association of Employers of Slovenia
- Slovenian-German Chamber of Commerce AHK Slowenien

As members of various interest associations we finance the associations through membership fees. The membership of these associations grants us more favourable conditions, integration initiatives and networking among the member companies, greater recognisability among other members, etc.

2.1.6. EXTERNAL REVISION OF GROUP POLICIES AND STATEMENTS¹⁷

Financial reports of the LTH Castings Group and the entities included in the Group are reviewed by an independent auditor. The audit was carried out in accordance with the applicable international financial reporting standards as adopted by the EU. The audit was performed by the internationally acclaimed audit company Ernst & Young.

The importance of quality in the supply chain of the automotive industry is proven by IATF 16949 – a world-renowned standard that defines the requirements of a quality management system for the design, development, production, installation and servicing of automotive products. The system is established at all locations. External independent verification of compliance is performed by Bureau Veritas.

The environment protection system complies with the ISO 14001 environmental standard at all locations of the LTH Castings Group. External independent verification of compliance is performed by Bureau Veritas.

The occupational health and safety management system complies with the requirements of the ISO 45001 standard. The system is established at all locations of the Group in Slovenia. External independent verification of compliance is performed by Bureau Veritas.

The energy management system complies with the ISO 50001 international standard. The system is established at all locations. External independent verification of compliance is performed by Bureau Veritas.

2.1.7. ORGANISATIONAL CHANGES IN 2019¹⁸

There were no changes in terms of the business locations of the LTH Castings Group in 2019. The Group made no changes connected to supply chains. The share capital of the LTH Castings Group also remained unchanged. In 2019, the Group was intensively involved in the preparation, introduction, joint work and additional training of the new management

¹⁶GRI-102-13

¹⁷GRI 102-56

¹⁸GRI 102-10

team, as most of the ownership and management staff is retiring to lead the board of partners.

2.2. SUSTAINABILITY REPORT WRITING METHODOLOGY¹⁹

When writing a sustainability report, the company follows the directions of the GRI standards. The report seeks to meet the principles of sustainable reporting. By involving stakeholders, we recognise their expectations which make it easier for us to identify the boundaries of the sustainable framework, and consequently the importance of key topics that cover the fields of economy, environment and society.

The data provided is collected in accordance with the principles of sustainable reporting. We strived to make the data as accurate, balanced and clear as possible, and also comparable, reliable and placed in a correct time frame.

The report complies with:

- GRI-102 – General standard disclosures at the basic reporting level,
- GRI 200 – Economic aspect,
- GRI 300 – Environmental aspect,
- GRI 400 – Social aspect.

The material topics are explained in accordance with the requirements of the GRI 103: Management approach standard.

2.3. REPORTING FRAMEWORKS

This sustainable development report aims to assess and demonstrate the economic, environmental and social impacts of the company's business operations in 2019/20.

The collected data mostly refers to the entire LTH Castings Group with its business departments.

The company's strategy represents all the principles, practices and values, including environmental management and occupational health and safety, as well as energy management, which also effect sustainable development.

Through its role in global development, the Group takes into account the goals of global sustainable development adopted by the United Nations member states, which aim to invest in the development of society as a whole, the economy, science and civil society to achieve important society-wide goals by 2030.



Figure 12: United Nations global sustainable development goals

LTH Castings prepares the report in accordance with GRI (2016) standards at the basic level²⁰.

¹⁹GRI 102-46

²⁰GRI 102-54

The heads of relevant departments participated in establishing the scope and content of the report, while the data was collected by Mr. Peter Šifrer, who is also the person responsible for the report.

Our starting point comprised the key characteristics of the business activity and the position of the company, in which we included the local community.

The GRI index reveals the identification of the main aspects of sustainable business operations.

The Ekvilib Institute was selected for the external audit of the report in compliance with GRI standards²¹.

This is the third such report.

2.4. REPORT PROFILE²²

The period of reporting coincides with our business year, which lasts from 1 January to 31 December. 2019 is the first reporting year.²³

In this report we have decided to report in accordance with GRI GS standards.²⁴

This report includes numerical and measurable data, and is the starting point for comparative sustainability reporting with the previous report.²⁵

The previous report on sustainable development of the company was for 2017/18²⁶.

The Group has decided on a two-year reporting period.²⁷

The contact point for questions related to this report is the administration office of the Group's director²⁸.

The basic points of the Group's sustainable development:

- | | |
|-------------------------|---|
| Economic impacts | ✓ economic impact on the company |
| | ✓ long-term business stability |
| | ✓ optimal use of resources, maximum efficiency and competitiveness |
| The environment | ✓ energy efficiency and impact on the carbon footprint |
| | ✓ implementation of the concept of good energy in production plants |
| | ✓ efficient use of energy products and raw materials, waste reduction |
| | ✓ goals for 2030 – carbon footprint = 0 |
| | ✓ spatial planning, waste management, water protection |
| Social aspects | ✓ stable and safe working environment, decent jobs |
| | ✓ knowledge is our advantage, staff education at all levels |
| | ✓ occupational health and safety system management |
| | ✓ job placement regardless of gender |

²¹GRI 102-56

²²GRI 102-46

²³GRI 102-50

²⁴GRI 102-49

²⁵GRI 102-48

²⁶GRI 102-51

²⁷GRI 102-52

²⁸GRI 102-53

- ✓ moral principles and cooperation in compliance with the company's business operations
- ✓ communication (annual interviews), established trade unions at all locations

Data on the sustainable operation of the Group is collected by the expert services of the parent company which is in charge of reporting. Disclosures under the GRI standard mostly refer to the parent company, while other entities of the Group are gradually being included.²⁹ The decision on the comprehensive external verification of sustainable reporting has not yet been adopted.

²⁹GRI 102-45

2.4.1. CONNECTING THE STRATEGIC OBJECTIVES OF THE GROUP WITH THE GLOBAL OBJECTIVES OF SUSTAINABLE DEVELOPMENT³⁰

The LTH Castings Group sustainably implements social responsibility in all projects and long-term plans at all levels. By identifying material topics we try to help achieve the goals of sustainable development.

2.4.2. OUR MISSION

A clearly defined mission represents the basis of our conception of sustainable development of the LTH Castings Group:

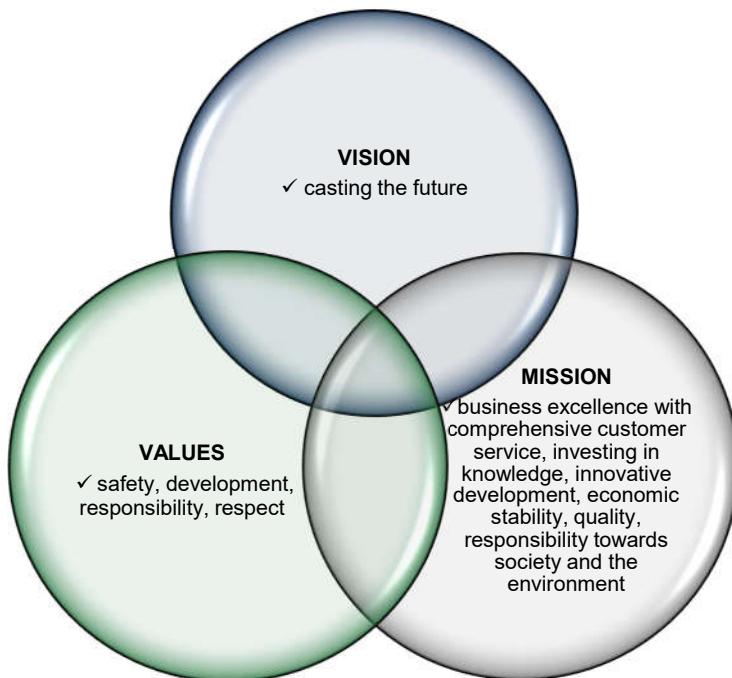


Figure 13 Vision, values, mission

All employees strive for business excellence in their respective fields by means of a comprehensive customer service, investing in knowledge, innovative development of production and processes, continuous increase of production and quality. In our work we are aware of our responsibility towards the local community and the environment.

The LTH Castings group specialises in pressure die casting of Al castings. Following the "Full service supplier" concept, we offer our partners a comprehensive array of services of various degrees of complexity in addition to cost efficiency. This is achieved by means of the development and optimisation of processes and castings, and integrated tool making.

2.4.3. VISION

"Casting the future"

The employees of LTH Castings d.o.o. guarantee that we:

- strive for perfection,
- ensure the highest quality products,
- ensure the health and safety of all those who are connected to us,
- take care of the environment in which our children will live,
- ensure a constant and sustainable increase in energy efficiency.

³⁰GRI 102-42

2.4.4. STRATEGIC GUIDELINES AND INTEGRATED MANAGEMENT SYSTEM POLICY

With the integrated management system policy we want to present the principles, practices and values as a starting point for defining the framework and implementation objectives in the field of product quality, information security, corporate integrity, environmental management, and occupational health and safety management, as well as energy management.

With this policy, we are committed to continuously improving the system by:

- identifying risks and identifying who would be exposed to them,
- integrating the provision of safe and healthy working conditions, and the elimination and prevention of accidents,
- continuously improving the occupational health and safety system,
- eliminating hazards and reducing risks to health and safety in the workplace,
- implementing the principles of good practice in the field of safe and healthy working environment,
- promoting workplace health,
- complying with the requirements and context of the organisation, as well as legal and other requirements,
- planning processes with the best possible use of basic raw materials, energy and natural resources,
- selecting auxiliaries and propellants with which we can control processes and emissions into water, air and soil,
- setting occupational health and safety objectives,
- implementing the principles of good practice in the field of information security,
- in the field of corporate integrity in order to prevent corruption,
- consulting with workers and workers' representatives on occupational health and safety.

With the integrated system policy we have opted for a "zero error" strategy.

Product / process quality is planned with an emphasis on the application of statistical knowledge and process management skills.

By planning education, training and awareness-raising, we ensure that all employees at all levels are aware of the following:

- that they are an important link in shaping occupational health and safety, and that only healthy employees can form a safe and healthy organisation,
- that a safe and healthy working environment in the company and protection of the environment in the broadest sense are the basic conditions for a quality product,
- that quality products lead to client satisfaction and enable us to grow further,
- that product quality means compliance with specifications and environmental considerations, without endangering the health and safety of employees,
- that energy efficiency represents an opportunity for additional investment in product quality, protection of the environment and better working conditions,
- the importance of effectively protecting the media from threats, internal and external, intentional and accidental,
- dangers and consequences of corrupt practices.

We implement the policy with teamwork. With their knowledge and suggestions, team members help to select the best possible solutions within the continuous improvement programme. We encourage innovative activity at all levels, which further improves the quality of products and the working environment, reduces the burdening of the environment and increases energy efficiency.

We ensure that all those who work for us and on our behalf aware of this policy, as we believe that by working together and partnering throughout the chain, from supplier to end customer, we can achieve common goals while contributing to sustainable development.

In our work, we strive to eliminate shortcomings at the source.

We take corrective action in case of deviations from the policy.

All employees and all those who work on our behalf and put it into practice are aware of our policy, and it is also available to all interested parties upon request.

Casting the future



Partnerships for achieving goals: With connections in many shapes and forms, we can contribute to a more sustainable society.

Material topics: Economic impacts on the company.

Indicator: Maintain and increase the share of sales per buyer by 2025.

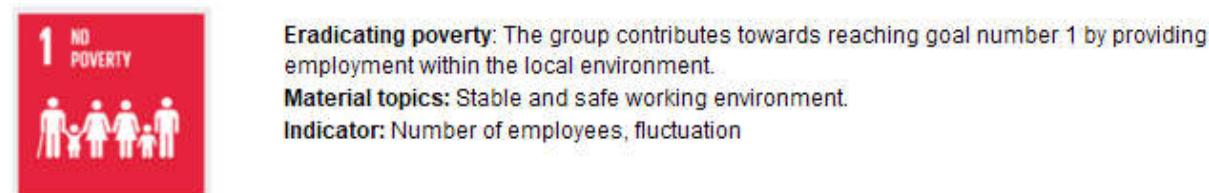


Decent work and economic growth: The group contributes to achieving goal number 8 with successful business operations.

Material topics: Long-term business stability.

Indicator: EBITDA and additional value per employee

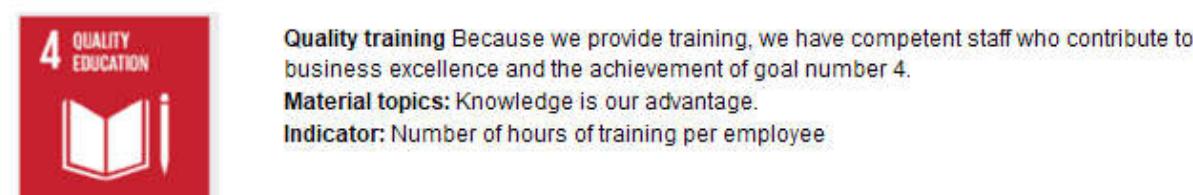
Business excellence, comprehensive customer service, investing in knowledge and development, economic stability, quality, and responsibility towards society and the environment



Eradicating poverty: The group contributes towards reaching goal number 1 by providing employment within the local environment.

Material topics: Stable and safe working environment.

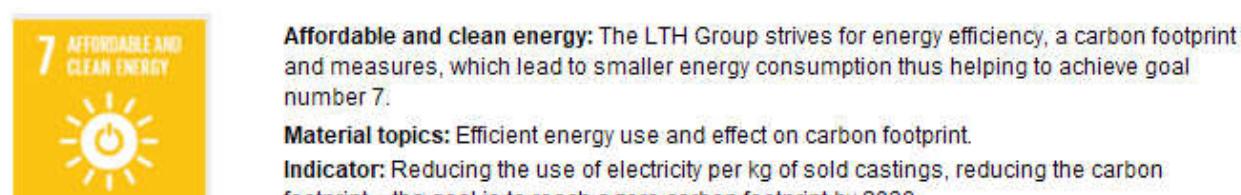
Indicator: Number of employees, fluctuation



Quality training Because we provide training, we have competent staff who contribute to business excellence and the achievement of goal number 4.

Material topics: Knowledge is our advantage.

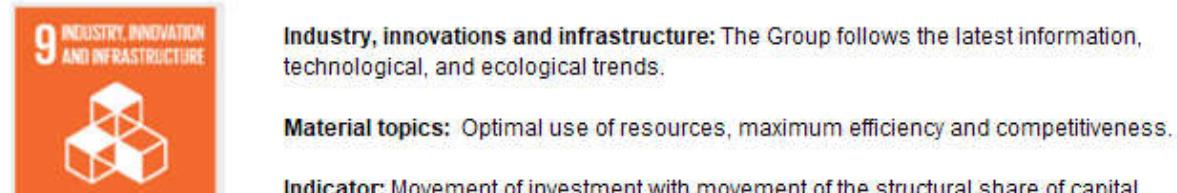
Indicator: Number of hours of training per employee



Affordable and clean energy: The LTH Group strives for energy efficiency, a carbon footprint and measures, which lead to smaller energy consumption thus helping to achieve goal number 7.

Material topics: Efficient energy use and effect on carbon footprint.

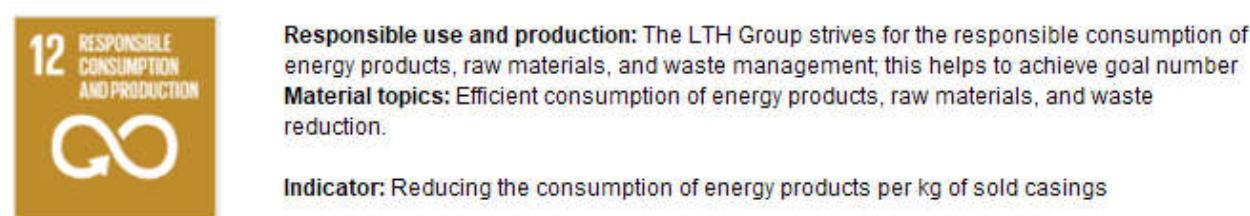
Indicator: Reducing the use of electricity per kg of sold castings, reducing the carbon footprint – the goal is to reach a zero carbon footprint by 2030.



Industry, innovations and infrastructure: The Group follows the latest information, technological, and ecological trends.

Material topics: Optimal use of resources, maximum efficiency and competitiveness.

Indicator: Movement of investment with movement of the structural share of capital.



Responsible use and production: The LTH Group strives for the responsible consumption of energy products, raw materials, and waste management; this helps to achieve goal number

Material topics: Efficient consumption of energy products, raw materials, and waste reduction.

Indicator: Reducing the consumption of energy products per kg of sold casings



Climate measures: The LTH Group strives for the responsible consumption of natural gas, substitution with green electricity, the reduction of emissions caused by logistics. All of our projects are planned with this in mind; this helps to achieve goal number 13.
Material topics: Carbon footprint = 0

Indicator: Carbon coefficient, natural gas consumption coefficient.

Life on land: The responsible production and environmental awareness of the Group affects the lives of its employees and the local community, thus contributing to achieving goal

Material topics: Spatial planning, waste management, water protection.

Indicator: Coating and emulsion consumption coefficient.

Values – safety, development, responsibility and respect



Health and well-being LTH Group employees are key to achieving the set goals. We ensure that all standards for occupational health and safety are met at all work places. We care about well-being in our company; this helps in achieving goal number 3.

Material topics: Managing the system of occupational health and safety.

Indicator: Number of accidents. The Group's goal is 0 accidents.



Gender equality The Group offers equal opportunities to both genders. This policy helps with achieving goal number 5.

Material topics: Employing both genders in all work places.

Indicator: We wish to keep the number of complaints against the violation of constitutional rights at zero.



Peace, fairness, and strong institutions: Respecting the rule of the law in all of the countries within which we do business strengthens our integrity and reputation with all stakeholders. This contributes to reaching the goal number 16.

Material topics: Moral principles and cooperation in accordance with the company's business practices.

Indicator: Company's reputation in the local and global environment

2.5. THE COMPANY AND ITS STAKEHOLDERS³¹

The LTH Group communicates correctly with all the participants. To fulfil our mission we identify and follow up the needs and interests of stakeholders at the strategic and operational level. By doing so, we maintain correct professional relationships and increase mutual trust.

³¹GRI 102-40, 102-42, 102-43, 102-44

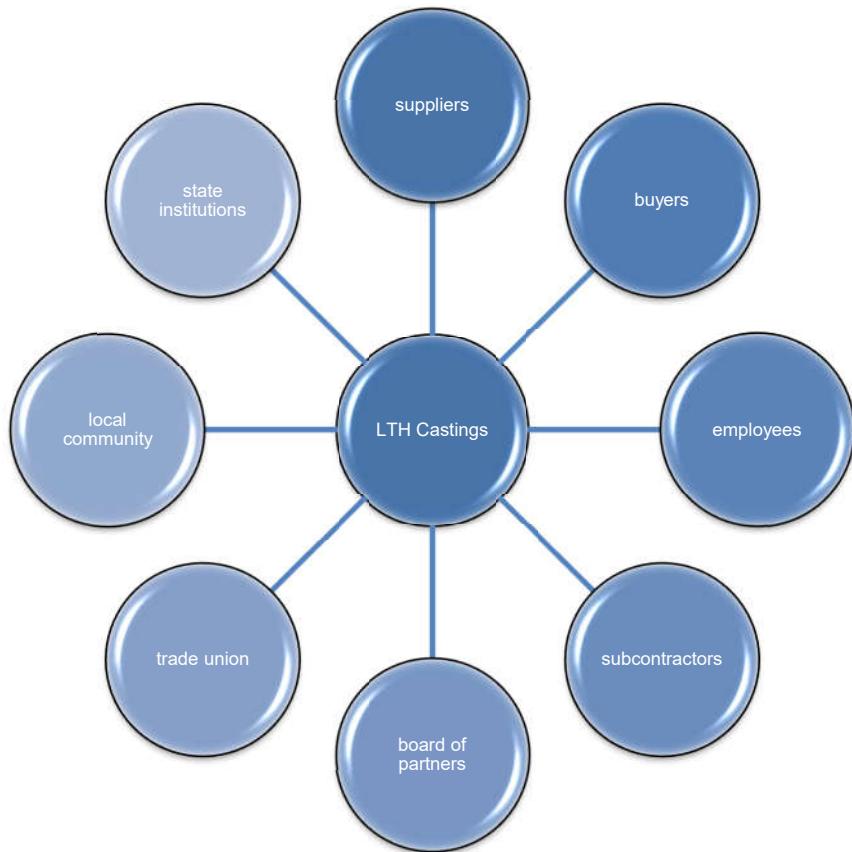


Figure 14 The company and its stakeholders

The Group has identified stakeholders. The impact of stakeholders on society and their needs and expectations are agreed individually. On the Group side, authorised persons are designated to communicate with the respective group of stakeholders. It is also determined in what way and by what means a certain communication takes place. Stakeholder involvement and management take place in different ways, depending on the impact that a particular stakeholder has on the Group or the impact that the Group has on the stakeholder.³²

³²GRI 102-40, 102,42

Sustainability report 2019

Stakeholders	Communication tools and the manner of involvement	Material topics/interest	Stakeholder involvement in the preparation of the sustainability
Employees	<ul style="list-style-type: none"> • Personal contact • Internal communication: internet, e-mail, internal newsletter, events • Investigating and monitoring the management climate in the company • Meetings with superiors 	Possibilities for personal growth, encouraging creativity and development, good relations, stimulating salary for good work performance, occupational health and safety, long-term stability of the company, education and additional training, good life-work balance.	✓
Lior invest d.o.o. (member committee)	<ul style="list-style-type: none"> • LTH Castings d.o.o. Annual Report • Owners' review • Setting and analysing goals • Periodic meetings • Personal contact • E-mail, tele / video conferences 	Reaching the goals set by the Group, long-term business stability, conducting business lawfully, cooperating with all stakeholders, strengthening the market position, presenting strategic projects in accordance with the company's vision and strategy for a responsible and sustainable, socially responsible company.	✓
Suppliers	<ul style="list-style-type: none"> • Personal contact, tele- and video conferences • E-mail, websites • LTH Castings d.o.o. Annual Report • Minutes, working group documents • Website • Testing 	Long-term cooperation, achieving annual turnover, consensual business operations, improved performance of business partners, strategic partnerships, innovative products and services, maintaining professional discretion and confidentiality.	✓
Subcontractors	<ul style="list-style-type: none"> • Personal contact, tele- and video conferences • E-mail • Training • Website • Testing 	Ensuring regular work in accordance with our instructions, successful cooperative business operations, increasing production capacity, indicators of timeliness and quality of supplies, measuring quality.	✓
Buyers	<ul style="list-style-type: none"> • Personal contact • E-mail, tele- and video conferences • Key account managers • Testing • Negotiations • Website 	Buyer satisfaction, strategic long-term partnerships, timely supplies of adequate quality, executing development projects, long-term partnerships, innovative products and services, maintaining professional discretion and confidentiality, partnership development, analysing and possibly implementing suggestions and opinions.	✓
Trade union	<ul style="list-style-type: none"> • Personal contact • E-mail, tele- and video conferences • Periodic meetings with owners and employees • Trade union activities (picnics, sport, short journeys) 	Cooperation between owners and employees in pursuit of joint interests, representing the interests of employees in social dialogue*, cooperating in collective negotiations to establish adequately set conditions in the collective agreement at the level of production, cooperating in collective meetings to establish set conditions in the collective company agreement at the level of the company**.	✓
Local community	<ul style="list-style-type: none"> • Building partnerships with non-profit organisations and educational institutions and implementation of joint projects • Direct contact with local decision-makers • Allocating funds for sponsorships and donations 	Cooperating with educational centres to ensure suitable long-term staff, co-funding of cultural, sport or charity projects in the local community, care for the environment.	✓
State institutions	<ul style="list-style-type: none"> • Telephone calls • E-mail • E-portals • Personal contact 	Providing required information about the business, explaining transactions, providing adequate information within the legally set deadline, ensuring the possibility of examining or checking the required information, providing expert support.	✓

Table: Communication tools and ways of involving stakeholders and highlighted topics³³

³³GRI 102-43, 102-44

* Collective agreement for metal material industry and foundries of Slovenia (Official Gazette of the RS, No. 78/14 in 22/17), available at the following website: <http://www.pisrs.si/Pis.web/pregledPredpisa?id=KOLP393>; GRI 102-41

**Collective entrepreneurial contract, available at the Intranet page of the company: <http://intranet/sl/node/164>; GRI 102-41

The materiality matrix shows the importance of topics for stakeholders and the Group.³⁴ Included topics were selected on the basis of communications with some stakeholders and the heads of various departments.

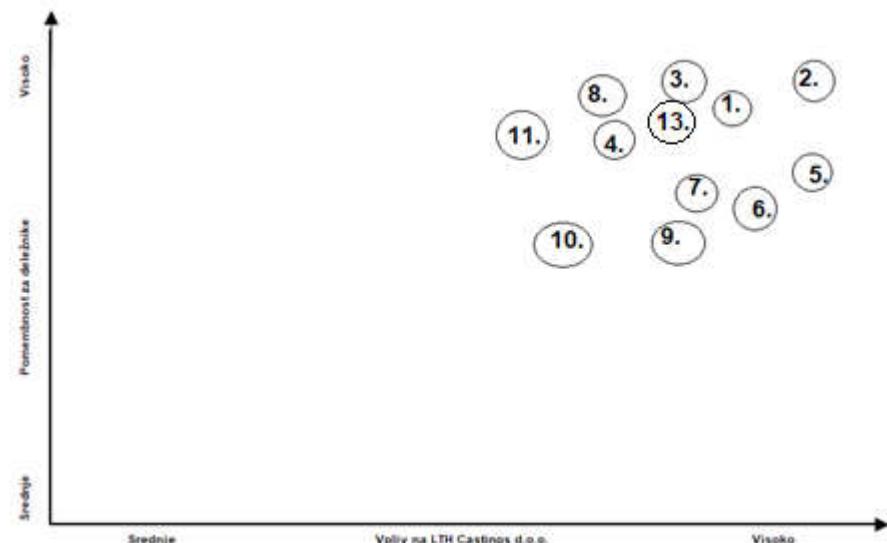


Figure 15: Demonstration of the importance of material topics

Material topics:

- 1. Economic impact on the company
- 2. Long-term business stability
- 3. Stable and safe working environment
- 4. Knowledge is our advantage
- 5. Energy efficiency and impact on the carbon footprint
- 6. Optimal use of resources, maximum efficiency and competitiveness
- 7. Efficient use of energy products and raw materials, waste reduction
- 8. Objectives for 2030 – carbon footprint = 0
- 9. Spatial planning, waste management, water protection
- 10. Occupational health and safety system management
- 11. Job placement regardless of gender
- 12. Moral principles and cooperation in compliance with the company's business operations

In preparing this matrix, we took into account the needs and expectations of stakeholders (in the previous table). We also considered the company's impacts on the economy, society and the environment. The matrix is the basis for reporting³⁵.

Long-term business stability has been identified as a key material topic, which we will achieve by adjusting production, with segments of hybrid components and e-mobility components.

2.6. EXTERNAL PROPOSALS, PRINCIPLES AND INITIATIVES³⁶

The Group has the responsibility to respect and fulfil numerous initiatives. These include: The Universal Declaration of Human Rights from the United Nations, the ILO Declaration on Fundamental Principles and Rights at Work, the UN Convention against Corruption, a voluntary decision to reduce greenhouse gas emissions in accordance with the Kyoto Protocol.

In the development and manufacture of its tools and in the die-casting of the castings, LTH Castings applies the precautionary principle. The company strictly adheres to the protection of business secrets. Since the products of the company are sold to companies (B2B), not final users, we adhere to the agreements with each individual buyer. The training for the employees on preserving business secrecy was carried out within the company in accordance with the time schedule.³⁷

³⁴GRI 102-47

³⁵GRI 102-44

³⁶GRI 102-12

³⁷GRI 102-11

2.7. MANAGEMENT

The organisational structure of the LTH Castings Group is shown.³⁸

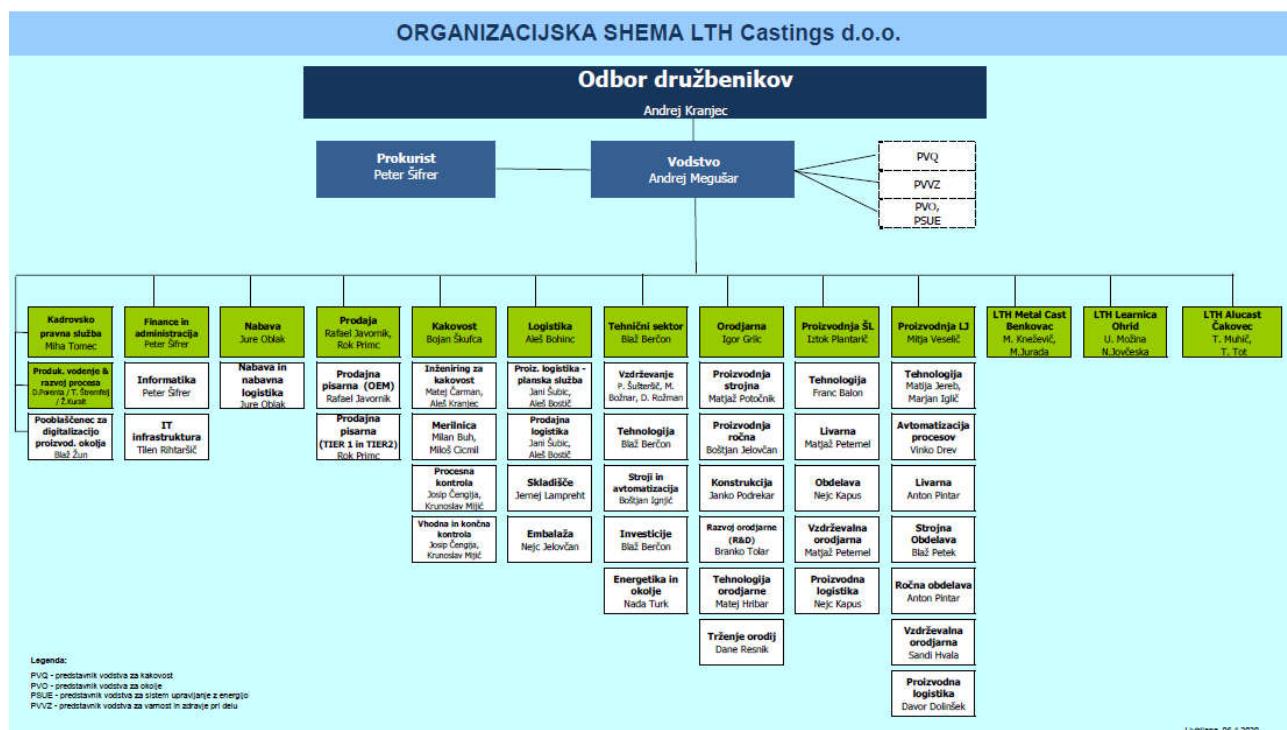


Figure 16 LTH Group organisational chart

2.8. ETHICS AND INTEGRITY³⁹

Integrity, compliance with the law, and responsibility to the people and the environment represent the leading managing principles of the LTH Castings Group.

The Code of Conduct represents the commitment of the LTH Castings Group to the fundamental standards, which grant good working conditions to the Group. The employees of the Group are of primary importance. The individual and collective contributions of the employees at all levels are essential for overall success. The LTH Castings Group has developed policies and practices which ensure that our employees enjoy the protection provided by the concepts specified in the Code of Conduct. The company regulates the protection of employees with its internal act, namely the Rules on ensuring worker protection against sexual and other harassment, mobbing and other forms of discrimination.

This document specifies the behaviour that we understand as mobbing, discrimination, sexual harassment, workplace violence. The duties of the employer are also precisely defined, what measures he/she is obliged to take against the aforementioned acts, as well as the obligations of all parties involved, and the penal provisions.

In 2019, there was one more workplace incident at the Group level than in the previous year.

Year	SI - LTH Castings	HR - LTH Metlani Iijev	HR - LTH Alucast	FYROM - LTH Learnica
2018	0	1	0	2
2019	1	0	0	3

Table 1 Workplace incidents

In 2019, a fight broke out in one of the Slovenian plants. Due to unacceptable conduct, the employee was issued a measure of extraordinary termination of employment.

³⁸GRI 102-18

³⁹GRI 102-16, GRI 102-17

In the North Macedonian plant, we dealt with three reports of inappropriate behaviour. We recognised the behaviour as verbal violence. Employees were reprimanded prior to termination of employment.

The company builds its system of values in three key areas: quality, expertise, and commitment to honour its obligations.

The LTH Castings Group strives for fair and just working conditions across the world, and recognises the conventions and recommendations of national and international organisations, such as the UN Global Compact and the UN Guiding Principles on Business and Human Rights as important guidelines. We therefore expect our partners to adhere to the same principles.

3. SPECIAL STANDARD DISCLOSURES

The long-term goal of the Group is to remain a strategic partner to all leading manufacturers in the automotive industry, which will ensure the sustainable development of the company with investments in modern production processes, employees, and the environment, thus contributing to economic development and social welfare.⁴⁰

3.1. ECONOMIC ASPECT OF SUSTAINABLE DEVELOPMENT⁴¹

The economic dimension of sustainability concerns the effects of an organisation on the economic situation of its stakeholders and on economic systems at local, national and global levels.

A report on aspects related to economic efficiency, market presence, indirect economic impacts and public procurement practices is included in the company's audited annual report for 2019. It includes aspects related to the directly generated and distributed economic value, commitments of the organisation's defined benefit plan, government financial assistance, development of infrastructure investments, as well as indirect economic impacts.

In EUR 000	LTH Group	LTH Castings - SI	LTH Metalni Ilijev - CRO	LTH Alucast - CRO	LTH Learnica - FYROM
Total income	307,243	283,728	45,393	11,939	23,337
EBITDA	46,132	33,473	8,378	1,738	2,541
Added value per employee (annual basis)	48.5	62.3	40.1	28.6	16.2

Economic Indicator Table⁴²

In the 2019 business year, the realised sales income of the Group amounted to EUR 307.2 million, which represents a decrease of EUR 7.8-million (a fall of 2.5%) in comparison with the EUR 315.1 million realised in the previous year. The profit and loss amounted to EUR 46.1 million, which is a decrease of EUR 4.9 million compared to 2018 (-10%). The EBITDA result for the 2019 business year amounted to EUR 69.6 million, which represents a decrease of EUR 1.8 million (-2.5%). The net profit for the period reached EUR 39.9 million and was EUR 6.0 million (+13%) higher compared to the previous business year. The main factors that contributed to the greater lag of the result compared to the planned result are: 1) lower volume of operations compared to the plan, while at the same time uneven distribution of the volume of operations within the year and between locations; 2) an agreement with the trade unions to increase wages, which led to a 5% increase in labour costs; 3) realisation of investments related to new projects and consequent growth of depreciation cost by 15%. Cash flow from operating activities amounted to EUR 51.2 million. The deviation of cash flow from operating activities according to the plan results from a lower volume of the EBITDA operating result and an increase in the volume of working capital. The volume of investments in 2019 amounted to EUR 26.2 million. The total value of investments in the last three years amounts to EUR 125.2 million. In 2019, the net volume of assets tied up in working capital increased by EUR 14.5 million to EUR 66.8 million (+28%). The growth mainly reflects the decrease in liabilities to suppliers from the payment of investment projects which were realised in 2018 and completed in 2019. The reduced volume of operations in the last quarter of 2019, as well as lower aluminium prices caused a decrease in both the volume of trade receivables and the volume of trade payables related to current transactions. A significant change is also the increase in funds from contracts with buyers at the expense of financing the development of tools and preparations for new buyer

⁴⁰GRI 103-1, GRI 103-2, GRI 103-3

⁴¹GRI 103-1, GRI 103-2, GRI 103-3

⁴²GRI 201-1

projects, which will be paid for through the sale of castings in the future. EUR 185.9 million of assets are tied up in non-current assets. Non-current assets increased by EUR 1.4 million and accounted for 60.8% of assets. The value of capital at the end of 2019 amounted to EUR 186.7 million, which represents a 61.1% share in the financing of assets. In the last three years, the value of capital increased by EUR 66.4 million at the expense of retained earnings. At the end of 2019, financial liabilities from loans amounted to EUR 69.3 million, which is a decrease of EUR 8.6 million compared to 2018. In 2019, the Group had a financial lease in the amount of less than EUR 0.1 million. Long-term liabilities represent 17.8% of all sources of funds. Total capital and long-term sources represent 78.9% of the balance sheet.

The Group is committed to hiring senior management from the local community at important levels of operations.

Important operating locations of production facilities are determined. Each facility is locally connected to the plant where it is located. Management is defined at the first and second level of management.

We are aware that highly motivated employees are crucial for the successful operation of the Group. Remunerations above the minimum wage are part of the effort for this motivation.

For precisely specific purchases of the technological process local public procurements are established at all locations of the Group.

Active protection of the environment is implemented throughout our business activities. We pay attention to the environmental balance of our products throughout their entire life cycle. We continuously monitor the impact of our processes, which are based on our continuous improvement programme. Our environmental protection system is adapted to the ISO 14001 environmental standard to prevent pollution at the source, address social issues, and ultimately, reduce costs.

Reports on risks and opportunities that may cause material changes in operations, revenues or expenses are considered in the Group's strategic plan for the next five-year period, which is regularly maintained. The key risks and opportunities associated with climate change are related to the development of CO₂ emission standards for the automotive industry⁴³.

The European automotive industry goal for 2020, of 95 g/km is achievable without electrification. Further reduction (less than 75 g/km) can be achieved by hybridisation or with a 100% electric vehicle, and hybridisation requires additional castings for the automotive industry. 100% electric vehicles are still too expensive for today's mass vehicle use, but trends should be monitored.

At the time of writing this report on sustainable growth of the company, the COVID-19 virus had spread around the world, as a result of which a pandemic was declared by the WHO on 11 March 2020, and the Republic of Slovenia declared an epidemic on 12 March 2020. Measures to limit the epidemic affect the operations of the LTH Castings Group. In its business operations, the LTH Castings Group is fully tied to the automotive industry. Relating to measures to limit the spread of the virus, there is a reduction in sales of new vehicles and also a halt in the production of new vehicles by manufacturers. The reasons for the latter are reduced demand for new vehicles, halt of production for the purpose of establishing safe working conditions and problems in the operation of supply chains.

In the LTH Castings Group, we are aware of our role in the automotive supply chain. We are involved in the automotive industry, which operates in the long run. A key feature of the automotive supply chain is trust and reliability, and that is why we will do everything

⁴³GRI 201-2

necessary to ensure safe working conditions so as not to break this trust. We have followed the recommendations of the NIJZ (National Institute of Public Health) to ensure the safety of our employees since the beginning of the pandemic. Where possible, we have enabled employees to work from home. For workplaces in which physical presence is required, we have ensured that work is as safe and contactless as possible. In doing so, we have followed the recommendations of the NIJZ.

Due to the pandemic, the LTH Castings Group has prepared several scenarios; however, with a large number of unknowns, both in terms of the duration of the pandemic and the actual impact on the automotive industry and the effects of state assistance, more precise impacts of the pandemic on business operations for 2020 have not yet been possible to foresee. Before the pandemic, the LTH Castings Group was in very good business and financial condition. Low indebtedness, good liquidity, and control of operational and business processes inspire the optimism that we will overcome the crisis and emerge victorious.

3.1.1. DONATIONS AND SPONSORSHIPS

The company allocated EUR 256,571.35 for sponsorships of sport, cultural and other purposes and as benefits for the employees, and EUR 77,443.12 for donations to sport, cultural, tourist and charity purposes, for presents for the children of the employees and for employee benefits.

3.1.2. RISK MANAGEMENT⁴⁴

Risk management is integrated into the company's management system, which ensures risk management throughout the organisational structure. For this purpose, a risk analysis is prepared in which the risks are identified and analysed. Risk is assessed by rating (low, medium, high) in terms of the materiality of the risk. Risks are identified, analysed and managed by managers at the process level, including corrective measures to successfully reduce or eliminate the risk. The activity for their elimination is monitored in relation to a certain period and an assessment of the effective implementation of the measure is given.

The company is exposed to the following risks:

- Electromobility and reduced need for Al pressure castings, measures such as market monitoring, limiting new ICE projects.
- Diesel fall: the risk is much lower, we do not accept major new diesel-related business.
- Rapid growth.
- Economic crisis.
- Risk of upheavals and collapses in the global economy (e.g. trade wars, uncontrolled Brexit etc.).

3.1.3. PURCHASE PRACTICE⁴⁵

The function of purchase and purchase logistics is to negotiate the commercial conditions with suppliers (prices, quantities, delivery times, payment terms) and timely orders of goods from the suppliers.

Furthermore, the system includes elaborated procedures for establishing the requirements for the purchase, for the reception of ordered goods and services, and for solving inadequate quality issues with the supplier. The procedure within the purchase serves to remove all types of waste (hazardous, usable, municipal), which occur as a consequence of the company's activity.

In removing special waste we use the services of authorised providers from the list which is kept and published by Ministry of the Environment and Spatial Planning.

⁴⁴GRI 102-15

⁴⁵GRI 103-1, 103-2, 103-3, 308

Environment and energy efficiency represent an important aspect of the quality of supply of goods and services, which is why the company has a system in place for monitoring and quality assessment of supplied goods and services. We select among the suppliers certified with the ISO 9001 standard.

Aluminium is our most important raw material for production, and there are 20 suppliers of this raw material, which represents 30% of the purchase realisation. We check whether all these suppliers have quality standards in the field of environment, such as: (ISO 9001, IATF 16949; ISO 14001 and ISO 45001). 85% of these suppliers have the ISO 14001 standard. Our goal is for all raw material suppliers to have the ISO 14001 standard.

Purchase, sales logistics, sales, the investment sector – energy - ecology, the information sector, the financial and administrative sector, and the human resources and legal sectors inform suppliers of our integrated management system, which we also expect from all the suppliers through a supplier self-assessment questionnaire.

The purchase procedure is standardised and published in the Rules of Procedure at <http://intranet.utlth-ol.si/objave/poslovnik/pko06.htm>.

Assessment of suppliers:

First assessment of suppliers:

Suppliers with whom we have yet no experience are assessed with regard to their fulfilment of the requirements of quality, occupational health and safety, and environmental management, which represent part of our integrated management system on the basis of samples, recommendations by other buyers and suggestions of the parent company. In each case they are sent a self-assessment questionnaire. Suppliers without the certificate of the system of quality, occupational health and safety, and environmental management are required to obtain these certificates.

First assessment of authorised service providers:

The obligatory selective criterion for the integrated management system for service providers (removal of hazardous waste, monitoring, metrological monitoring of the control measuring stations, occupational health and safety) is the submission of a permit by the responsible ministry. The company concludes a contract with the authorised provider, establishing our cooperation.

Ongoing assessment:

The organisational units in charge of purchasing monitor suppliers on the basis of the provided supplies or services by semi-annual assessment of the fulfilment of the following requirements:

- quality of supplies,
- fulfilment of the requirements regarding environmental management,
- fulfilment of the requirements regarding requirements in the field of occupational health and safety,
- delivery times / response time,
- quantities supplied.

On the basis of this assessment, the supplier is classified in the quality grade A, B or C. A-grade suppliers are reliable and commercially interesting, which is why the main part of our purchases is realised through them. B-grade suppliers fulfil the majority of requirements and expectations, which is why we expect their continuous improvement. C-grade suppliers comprise those suppliers who do not meet the requirements, which is why they are expected to immediately introduce corrective measures and improve their assessment. If they fail to classify as B-grade suppliers by the next assessment, they are removed from the list of approved suppliers.

The list of approved suppliers

The purchasing department keeps the list of approved suppliers which contains all the required data on the supplier. The list is updated at least once a year.

Purchase information:

The organisational units in charge of purchasing report the requests in writing with a clear specification of goods or services, by invoking standards, drawings, samples, catalogues, etc., with requirements of quality proof (certificates), delivery times, packaging, labels. The request may include the suggestion of a possible supplier.

Selection of supplier:

The organisational units select a supplier from the List of approved suppliers at their own discretion on the basis of the received offers. The organisational unit in charge of purchasing submits all the requirements of the internal client to the supplier. If two suppliers offer identical commercial terms, the supplier classified higher on the list is given priority.

Selection of an authorised service provider / supplier for environmental management:

The selective criteria for service providers / suppliers of auxiliaries and propellants are:

- the possibility of ecological waste removal (permit issued by the responsible ministry),
- response time,
- willingness to cooperate (crisis situation),
- price.

3.1.4. CORRUPTION PREVENTION⁴⁶

The Business Code of Conduct includes the commitment of the LTH Castings Group.

Integrity, compliance with the law and responsibility to the people and the environment represent the leading managing principles of the LTH Castings corporation.

The Business Code of Conduct represents the commitment of the Group to the fundamental standards, which allow for the good work of the Group. People are the most important asset of the LTH Castings Group. The individual and collective contributions of people at all the levels are essential for the success of the company. This is why the Group has developed policies and practices which ensure that our employees enjoy the protection ensured by the concepts set forward in the Code.

The Code of Conduct also includes the prohibition of bribery, extortion and other forms of corruption.

⁴⁶GRI 103-1, 103-2, 103-3, 205

The Code of Conduct is published on the company website.

In 2019, bribery, extortion or other forms of corruption at the Group level could not be identified.

The Code of Conduct was established in the process of crisis management and represents the rules and conditions of the company for doing business with certain business partners. The company did not detect any instance of bribery, extortion or other forms of corruption.

3.1.5. CONTINUOUS IMPROVEMENT SYSTEM IN THE LTH CASTINGS GROUP⁴⁷

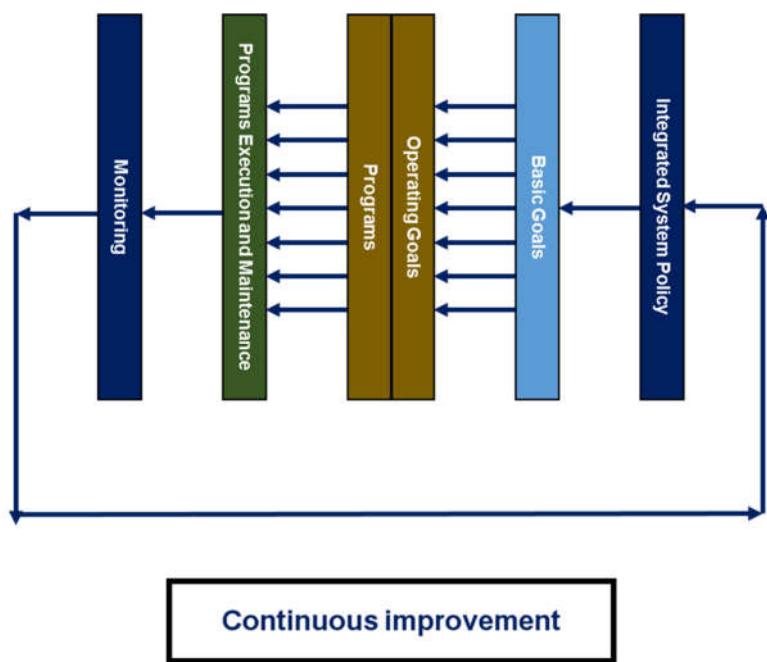


Figure 107 Integrated management policy

- **Selection of input materials⁴⁸**

For its casting production the company uses Al alloys with a standardised chemical composition in accordance with the requirements of our clients. 99% of the supplied material is made from secondary, recycled raw materials. One of the Group's strategic orientations is to increase the use of "green aluminium" before the use of primary aluminium.

- **Production of Al castings**

The production processes use auxiliaries which do not contain prohibited substances (as defined by legislation and our clients). The selection of auxiliaries takes into consideration the environmental aspect and the aspect of occupational health and safety, in addition to the price.

From 1999 on the company has systematically monitored the use of auxiliaries and energy tied to the unit - per mass of sold castings. Consumption per unit allows us to make direct comparisons of specific use among the locations.

In the field of processes and their energy efficiency, we use the concept of good practices. The production infrastructure follows the concept of "smart management" of energy efficiency. The ISO 50001 standard is achieved at all locations.

⁴⁷GRI 103-3

⁴⁸GRI 301

- **Use of products**

As product development is carried out by our clients, the company does not have direct impact on the shape and functionality of the product. However, our experience in pressure die-casting and machining allow us to lower the mass of the product which impacts the total mass of a vehicle and contributes to lower fuel consumption and consequently to a more sparing use of natural resources and lower emissions. All of our products are 100% recyclable at the end of their service life.

We actively promote the use of green aluminium to all our buyers.

The comparison between the use of primary aluminium and secondary green aluminium is convincing due to the facts about carbon footprints given below.

CO₂ footprint recycled aluminium alloy 0.5 kg CO₂/1 kg Al

CO₂ footprint primary aluminium alloy 5.0 kg CO₂/1 kg Al

The LTH Group uses a 99% share of recycled aluminium alloys in Al castings DIN 226, 231, 230, etc. This reduces CO₂ emissions by 4.5 kg CO₂ per 1 kg of Al castings sold.

In 2019, we reduced CO₂ emissions by 179,500⁴⁹ tons using green aluminium.



- **Recycling⁵⁰**

At the end of their service life, Al castings can be fully recycled. The production process generates waste material, which is mostly recycled internally (leftover Al parts of machine trimming and cutting, reject castings). The remaining material, such as Al slag and Al turnings are submitted to processors of secondary raw materials⁵¹.

Special emphasis is given to attaining the quality goals, as fewer rejects lead to greater energy efficiency and lower consumption of auxiliaries per product unit. Throughout the production process, we use the closed-loop approach⁵², which consequently contributes to a more rational and environmentally friendly use of resources.

⁴⁹Calculation based on Al alloy consumption in 2019 – (39,889,047 kg)
(39,889,047 kg * 4.5 kg CO₂)/1,000 kg

⁵⁰GRI 306-2

⁵¹GRI 301-2

⁵²closed loop approach



Figure 18 The Sora River, Vincarje

3.2. SUSTAINABLE RELATIONSHIP WITH THE ENVIRONMENT⁵³

The company appoints a sustainable development team with the following goals:

1. Prepare an estimate of CO₂ emissions, in-house or with the assistance of an external contractor if needed.
 - Calculation of CO₂ emissions for SI
 - Calculation of CO₂ emissions for the LTH Group (Scope 1 and 2)
 - Validation of the assessment by an external institution with a certificate – connection with BVQI
2. Identify measures to reduce the CO₂ footprint in three scopes and develop a plan to reduce it
 - Scope 1: Reduce CO₂ emissions during remelting
 - Analyse and evaluate the possibility of remelting using electricity
 - Performed analysis – electric melting furnaces suitable for smaller quantities, i.e. special alloys. Remelting price approx. 0.25 €/kg.
 - Possibility to purchase biogas – realistic in 10 years (2030)
 - The alternative is compensation of green energy sources
 - Scope 2: Reduce CO₂ emissions using green electricity
 - Draw up a proposal for the use of green electricity
 - Scope 3: Reduce CO₂ emissions in logistics
 - Transport, commuting
3. Additional measures to reduce the CO₂ footprint and TR included in Hiber projects.
 - Energy efficiency
 - A more efficient melting furnace
 - All new plants equipped with heat pumps
 - Reducing the number of tempers in the casting cell
 - Replacing lights with LED technology
 - Compressors with heat exchangers – also at the Benkovac and Ohrid locations
 - Flue gas heat recovery (ventilation)
 - Continue to recover heat from melting furnaces, emit excess heat into the Energetika Ljubljana system and arrange ventilation
 - Reduce electricity consumption on SW machine tools – analysis of the use of standard drives
 - Environmental conservation
 - Active waste reduction
 - Reduce the consumption of auxiliaries and propellants
 - Return of waste water to the process
 - Improve working conditions
 - Improve the purity of the air in the foundry – extractor hoods
 - Ensure quality work places (Lean – WF)

Tasks are assigned to the responsible persons who ensure their execution according to the standard procedure agreed at individual meetings of individual projects.

⁵³GRI 103-1, 103-2, 103-3, 302, 303, 305, 305-7

The company's vision for sustainable development:



The elements of activities, products and services which interact with the environment are called environmental aspects.

Figure 19 Vision

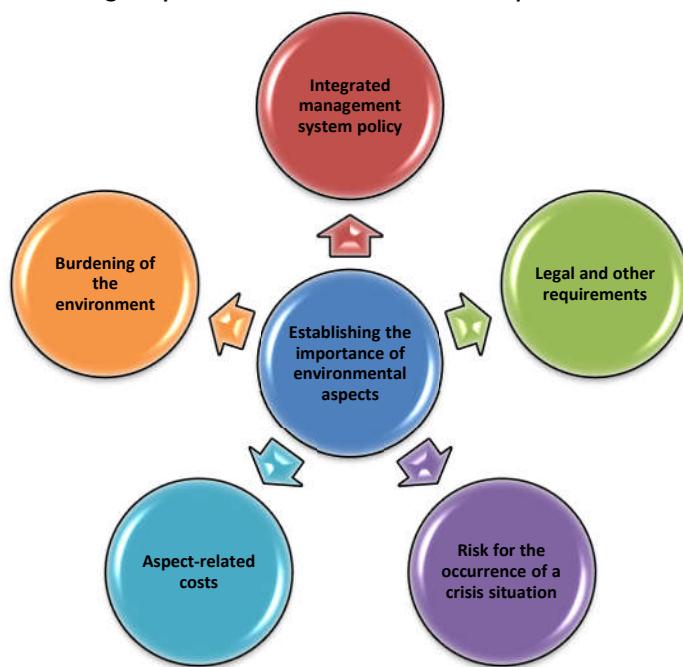
In establishing environmental aspects we take into consideration all phases of the production process, products and activities, under normal conditions, in extraordinary conditions and during a crisis situation.

Each aspect impacts the environment. The following assessment criteria were set up to establish the importance of individual environmental aspects:

- the level or risk for the occurrence of a crisis situation,
- fulfilment of legal and other requirements,
- policy requirements,
- aspect-related costs,
- burden on the environment.

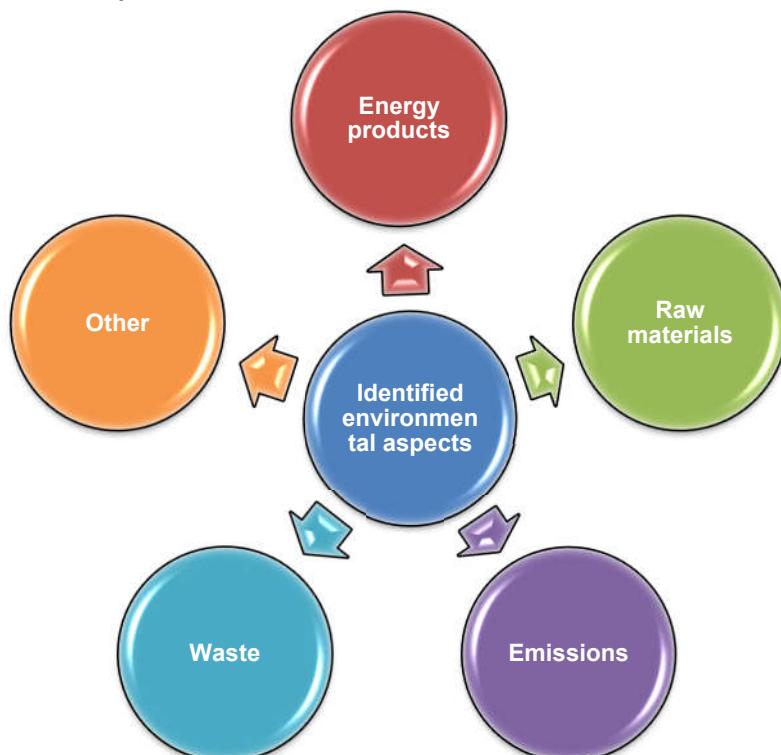
Regular and periodical education and training represent an important part of communication and cooperation among employees in the area of environment and energy consumption.

Criteria for determining important environmental aspects



The assessment of the environmental aspects is carried out once a year or in the event of changes to the legislation or other significant changes within the scope of the environmental management system. In accordance with the assessment criteria the company determines important environmental aspects for which we determine indicative and operational goals with programmes.

Identified main environmental aspects in the scope of the operation of the environmental management system



Identified environmental aspects, entire set⁵⁴

⁵⁴ GRI 103-1

Energy products	Raw materials	Emissions	Waste	Other
✓ Electricity	✓ Al alloys	✓ Emissions to air	✓ Hazardous waste	✓ Logistics
✓ Natural gas	✓ Steel	✓ Emissions to soil	✓ Non-hazardous waste	✓ Storage
✓ Water	✓ Auxiliaries	✓ Noise emissions		✓ Environmental management of suppliers
✓ Compressed air	✓ Packaging	✓ Water emissions		
✓ Heat energy		✓ Electromagnetic radiation		
		✓ Light pollution		

The thickened environmental aspects were recognised by the organisation as important. For these purposes, the company regularly monitors the use of energy products and ensures their optimal use. Natural gas and electricity are consumed at all locations, which are also monitored in terms of the costs and environmental burdening. Monthly monitoring is used to control the consumption of energy products and compare the results to the goals set by the expert commission for each individual year. In case the consumption deviates from set goals, the analysis of the elements which impact the consumption of the energy product helps the company design an action plan to eliminate consumption anomalies⁵⁵.

The organisation operates in accordance with ISO 14001 and ISO 50001 and conducts environmental monitoring to demonstrate compliance with environmental legislation. The organisation has obtained an IED permit at the Škofja Loka, Ljubljana, and Benkovac locations in accordance with Directive 2010/75/EU on industrial emissions.⁵⁶

The management of the LTH Group undertook a commitment to environmental responsibility, efficient use of natural resources and energy efficiency. The management guarantees that, given the continuous cost optimisation, quality improvement, adherence to the requirements regarding occupational health and safety, environmental requirements and improved energy efficiency, our products will satisfy the requirements and expectation of buyers and the interested public. In order to carry out the management activities of environmental protection and energy consumption, the LTH Group has appointed a representative at each of its locations for the system of environmental management and the system of energy management. These representatives have an advisory, supervisory, developmental and operational role in cooperation with the management. The management understands that each employee importantly impacts the efficiency of the systems of environmental and energy management, which is why great emphasis is given to training and raising awareness of all the employees in these areas.

Once a year during the managerial review the management reviews the efficiency of the systems for environmental and energy management.

The LTH Group demonstrates its environmental awareness and energy efficiency by reducing its impact on the environment and by the analysis of energy efficiency indicators.

The company is certified with the environmental management system in accordance with the ISO 14001 standard at all of its locations, while the energy management system in accordance with the ISO 50001 standard was introduced to all locations in 2016.

The table below shows natural resource management on a monthly basis ⁵⁷in 2019 at all locations of the company. Consumption of natural resources is a recognised material topic. By reducing the consumption of these resources, we contribute to more rational use and to the achievement of sustainability goal 7 (affordable and clean energy), sustainability goal 12 (responsible consumption and production) and sustainability goal 13 (climate action).⁵⁸

⁵⁵ GRI 103-2, 103-3

⁵⁶ GRI 307-1b

⁵⁷ GRI 302

⁵⁸ GRI 103-1

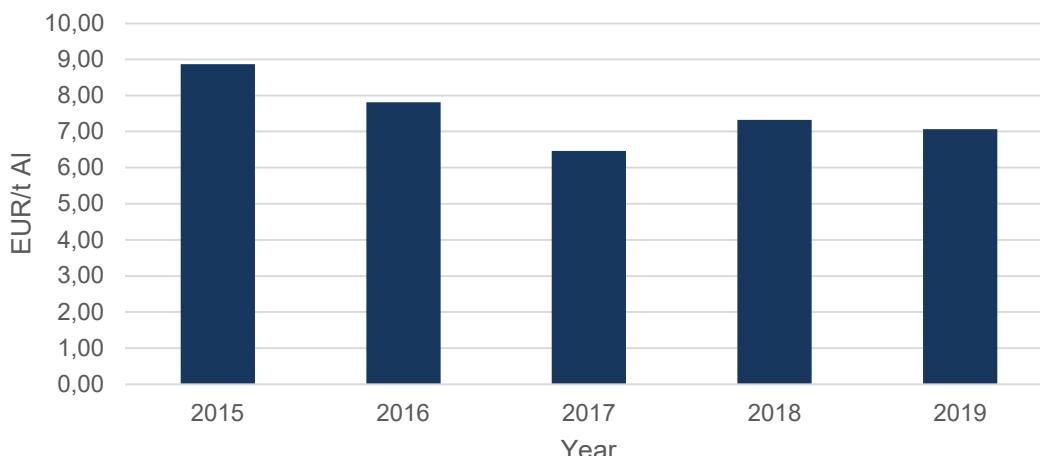
Year 2019

Location Month	ELECTRICITY kWh/kg					NATURAL GAS Sm3/kg					WATER L/kg				
	SI-LJ	SI-ŠL	CRO-BE	CRO-ČK	FYROM-OH	SI-LJ	SI-ŠL	CRO-BE	CRO-ČK	FYROM-OH	SI-LJ	SI-ŠL	CRO-BE	CRO-ČK	FYROM-OH
JAN	2,31	2,27	3,08	5,45	2,33	0,19	0,22	0,24	0,71	0,36	3,46	3,18	3,91	6,02	5,48
FEB	2,33	2,37	3,01	4,97	2,65	0,17	0,17	0,23	0,67	0,28	3,29	3,18	4,04	5,37	6,67
MAR	2,47	2,57	3,48	5,44	2,65	0,19	0,17	0,25	0,73	0,31	4,01	3,27	4,98	6,14	6,27
APR	2,29	2,52	3,25	5,59	2,74	0,16	0,17	0,23	0,71	0,24	3,64	3,48	4,76	6,58	6,41
MAY	2,36	2,49	3,37	4,40	2,63	0,18	0,18	0,27	0,58	0,24	3,86	3,50	4,69	5,59	6,19
JUN	2,81	2,62	3,46	6,46	2,78	0,20	0,16	0,19	0,89	0,27	4,73	4,19	4,29	11,32	6,30
JUL	2,35	2,74	3,68	4,61	3,08	0,16	0,18	0,23	0,62	0,32	4,06	4,46	4,92	6,55	8,29
AUG	2,64	2,95	3,81	5,37	2,99	0,17	0,20	0,21	0,64	0,31	4,40	4,83	4,47	7,05	8,92
SEP	2,41	2,51	3,43	4,74	2,80	0,17	0,18	0,20	0,61	0,27	4,01	3,72	3,75	6,62	7,61
OCT	2,39	2,54	3,35	5,26	2,93	0,17	0,19	0,23	0,65	0,29	4,03	3,79	3,31	5,74	7,18
NOV	2,38	2,61	3,70	5,62	2,95	0,18	0,19	0,27	0,65	0,31	3,88	3,58	3,17	6,78	6,80
DEC	3,00	3,64	4,70	5,75	3,92	0,21	0,27	0,32	0,71	0,39	4,56	4,68	3,95	7,71	9,87
Average	2,48	2,65	3,51	5,30	2,87	0,18	0,19	0,24	0,68	0,30	3,99	3,80	4,19	6,79	7,17
Goal	2,60	2,36	2,50	4,50	3,50	0,24	0,20	0,23	0,60	0,35	4,40	4,10	3,80	8,00	5,50

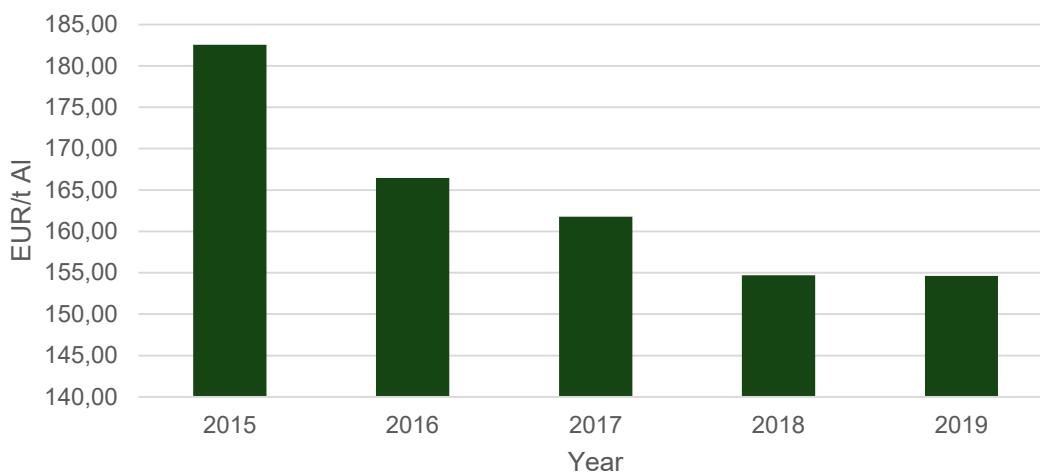
Table 2 Natural resource management in the LTH Group

The graphs below show the total energy product consumption for plants in Slovenia. The trend of water, electricity and natural gas consumption per ton (t) of castings sold in the 2015-2019 period can be seen. The trend suggests the use of more rational procedures in processes.

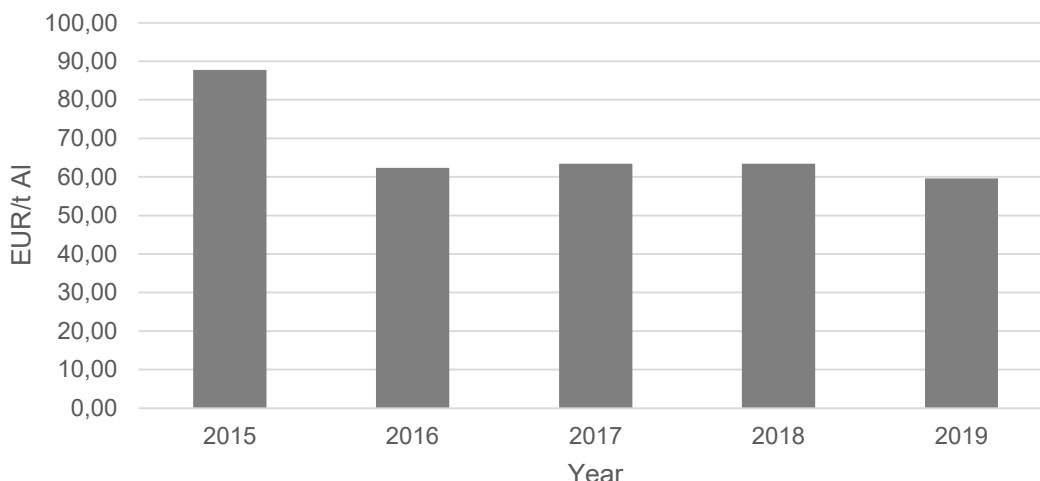
Cost of water – relative



Cost of electricity per year – relative



Cost of natural gas – relative



Modern technology is essential for sustainable environmental management. The company strives to eliminate or alleviate negative impacts on the environment and to achieve economically efficient ways of natural resource management.

The company monitors the monthly consumption indicator for electricity, natural gas and water consumption, which allows it to control rational use of energy sources.

In production, we also use auxiliaries such as emulsions and coatings, which also have an impact on the environment. Consumption is monitored on a monthly basis and the company aims to decrease rational use to the optimal level. Consumption of auxiliaries is also recognised as a material topic. With the rational use of such agents, we contribute to the realisation of sustainability goal 12 (responsible consumption and production) and sustainability goal 13 (climate measures).⁵⁹

Coatings	SI - ŠL plant	SI - Ljubljana plant	CRO - Be	CRO - Čk	FYROM - OH	Total		SI - ŠL plant	SI - Ljubljana plant	CRO - Be	CRO - Čk	FYROM - OH	Total alloy (kg)	Consumption per mass of castings sold (kg/T)
2018 coatings TL machines (t)	37.900	118.760	61.190	11.280	61.000	290.130		8.511.741	18.552.540	6.558.899	1.112.686	5.177.322	38.800.502	7,48
2019 coatings TL machines (t)	35.546	124.190	47.240	15.510	46.320	268.806		8.765.962	19.361.119	5.802.644	1.500.164	4.459.158	39.889.047	6,74

In light of the company's activity, the use of coatings for die casting also has a significant impact, so the use of auxiliaries is recognised as a material topic. The company monitors the consumption of coatings for die casting by location. The use of coatings for die casting is declining⁶⁰.

The main sources of greenhouse gas emissions are energy and heating.

The organisation has no significant CO₂ emissions. Nevertheless, we monitor trends in the consumption of natural gas and electricity per kg of alloy sold. The data is also the basis for calculating the carbon footprint shown in the table below.⁶¹

Natural gas and electricity	SI - ŠL plant	SI - Trata plant	SI - Ljubljana plant	CRO - Be	CRO - Čk	FYROM - OH	Total m ³	Total kWh	SI - ŠL plant - alloy	SI - Ljubljana plant - alloy	CRO - Be - alloy	CRO - Čk - alloy	FYROM - OH - alloy	Consumption per mass of castings sold (kg/kg)	Carbon footprint kg CO ₂ /kg castings sold	Consumption per mass of castings sold (kg/T)
Natural gas (Sm ³)kWh	17.993.693	0	40.196.335	1.650.388	687.473	1.514.734	3.852.595	99.335.743	8.511.741	18.552.540	6.558.899	1.112.686	5.177.322	39.913.188	2,49	0,50
Electricity (kWh)	19.828.598	3.424.954	45.301.680	21.667.519	6.136.457	14.352.195		110.711.403	8.511.741	18.552.540	6.558.899	1.112.686	5.177.322	39.913.188	2,77	1,47
2018 Total																1,97
Natural gas (Sm ³)kWh	18.691.439	0	39.545.105	15.551.275	11.418.679	12.444.605	27.995.880	97.651.103	8.765.962	19.361.119	5.802.644	1.500.164	4.459.158	39.889.047	2,45	0,49
Electricity (kWh)	18.701.828	8.762.571	47.460.762	20.034.711	7.851.564	12.656.137		113.467.573	8.765.962	19.361.119	5.802.644	1.500.164	4.459.158	39.889.047	2,84	1,51
2019 Total																2,00

The company's goal for 2030 is to neutralise the carbon footprint by implementing the set policy.

The company also monitors other greenhouse gases. We regularly monitor the analyses of PFC⁶² exhaust gases bound to refrigerants. We complete the CDP (Climate Change Questionnaire) annually, where the focus is on emissions from compensation for losses in the process. We use the (GRP⁶³ FG-01) method for this.

Most of our waste at all of the locations is non-hazardous waste. The share of non-hazardous waste in 2019 was 86.0%.

Waste	SI - ŠL plant	SI - Trata plant	SI - Ljubljana plant	CRO - Be	CRO - Čk	FYROM - OH	Total		ALLOY KG					Total alloy	Consumption per mass of castings sold (kg/T)	OH m3
									SI - ŠL plant - alloy	SI - Ljubljana plant - alloy	CRO - Be - alloy	CRO - Čk - alloy	FYROM - OH - alloy			
2015 communal waste (kg)	19.350		59.780	29.900		30.100	139.130		6.565.774	13.279.056	6.069.400		3.283.445	29.197.675	4,77	327
2016 communal waste (kg)	17.620		61.940	23.800		33.500	136.860		7.279.492	15.117.067	6.718.216		3.545.482	32.660.257	4,19	335
2017 communal waste (kg)	16.800	3.060	45.000	21.500		43.200	129.560		8.334.636	16.408.320	6.882.944		4.254.325	35.880.225	3,61	432
2018 communal waste (kg)	15.780	4.940	38.780	67.402 *		52.800	179.702		8.511.741	18.552.540	6.558.899	1.112.686	5.177.322	39.913.188	4,50	528
2019 communal waste (kg)	12.300	6.260	28.300	59.700 *		57.300	163.860		8.765.962	19.361.119	5.802.644	1.500.164	4.459.158	39.889.047	4,11	573

In the last two years, the company has reduced the amount of waste per unit of product in Slovenian plants by 13.5%.

⁵⁹ GRI 103-3, 301-1

⁶⁰ GRI 301-1

⁶¹ GRI 302, 305

Calculation of carbon footprint

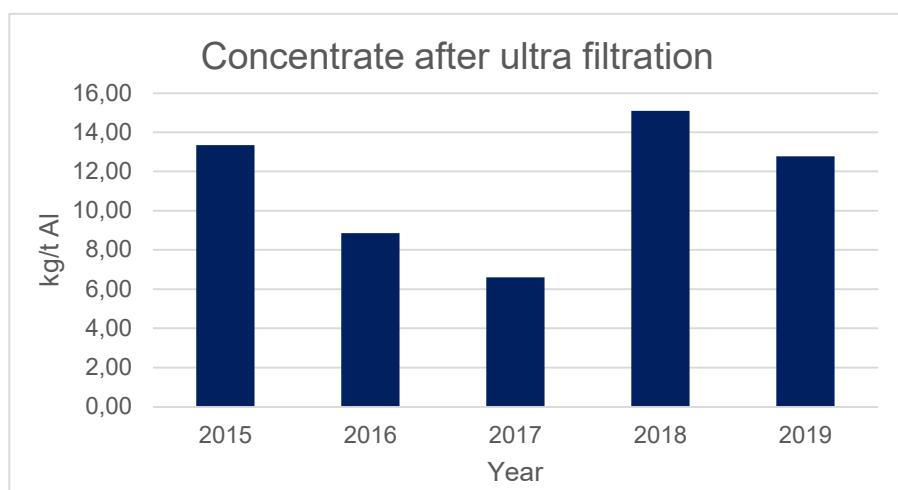
CO₂ (kg) from natural gas 1 Sm³ natural gas (standard cubic metre) * 10.68 = 1 kWh * 0.2 kg CO₂/kW

CO₂ (kg) from electricity 1 kWh = 0.53 kg CO₂

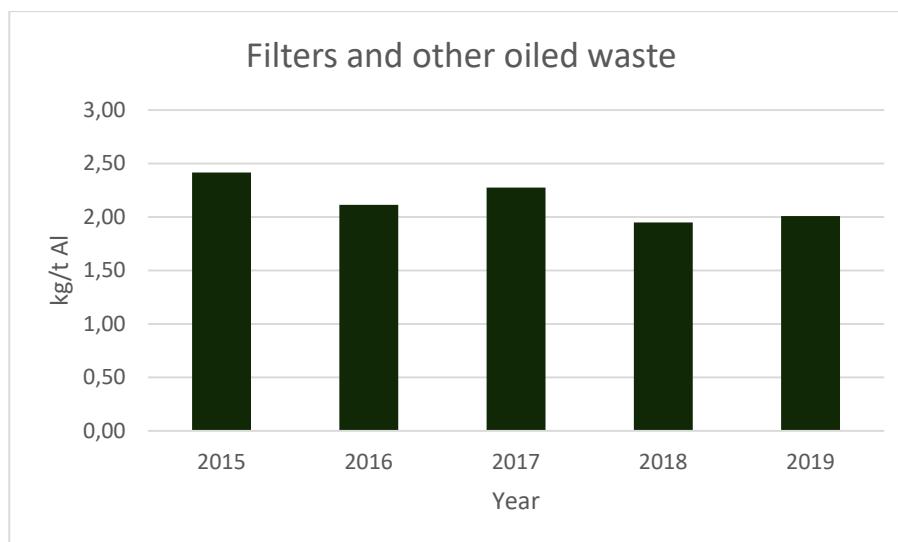
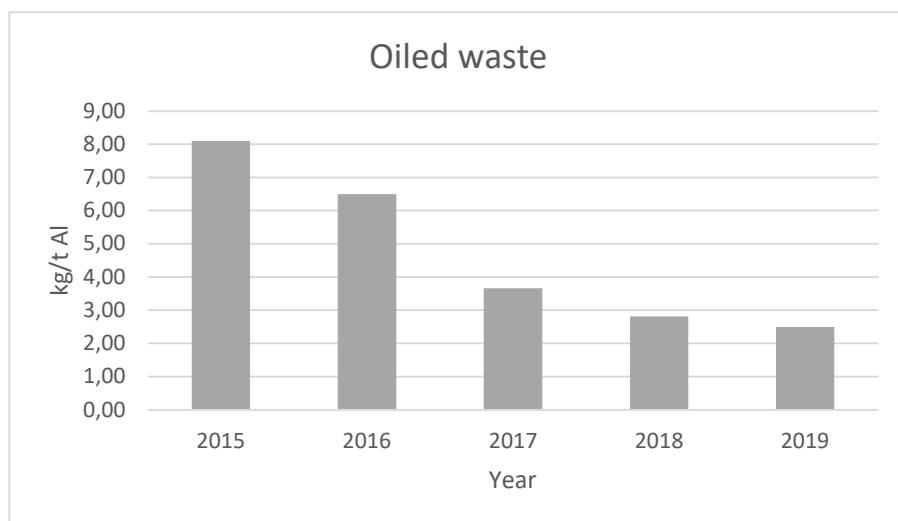
⁶² Perfluorocarbon

⁶³ General Reporting Protocol

Hazardous waste includes ultra filtration concentrate, oiled waste, filters and other oiled waste. The graphs below show the declining trend of hazardous waste. The total relative data for plants in Slovenia for the 2015-2019 period are shown.



The trend of concentrate after ultra filtration from 2017 significantly increases in 2018. The reason for the increase is the change of treatment technology, but the positive side of the new technology is the higher rate of waste water treatment.



All hazardous and non-hazardous waste generated during production processes is collected and separated and handed over to authorised waste collectors. Waste management procedures are defined in the Waste Management Plan which is prepared by individual locations. The amount of waste collected and delivered is reported annually to the competent ministry⁶⁴.

The two tables below show the trend in the amount of waste by Slovenian plants in the 2016-2019 period. The plants differ greatly in the amount of waste due to the use of different technological procedures and the size of the plant.

The Ljubljana plant stands out in terms of the amount of waste due to the use of different waste water treatment technologies. As a result, the amount of waste is greater, but the rate of waste water treatment is higher. The amount of waste is also affected by the average weight of the casting, which is one time higher in the Ljubljana plant than in the Škofja Loka plant.

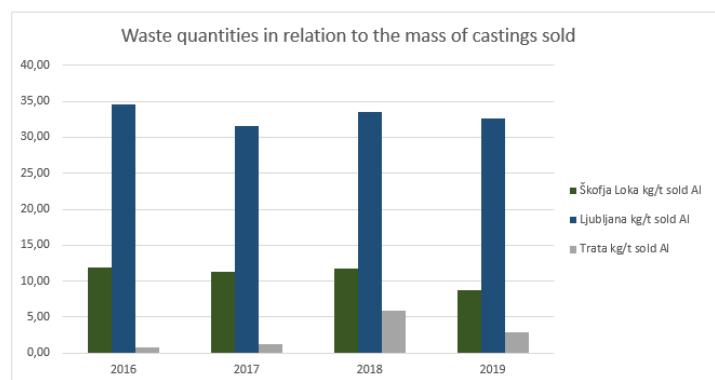
Overview of waste amounts by years, all Slovenian plants

Plant	Škofja Loka	Ljubljana	Trata
	amount (kg)	amount (kg)	amount (kg)
2016	244,838	710,381	14,570
2017	265,031	740,914	28,026
2018	317,011	908,608	156,854
2019	244,931	916,953	79,968

Relative waste amounts by weight of castings sold

Plant	Škofja Loka	Ljubljana	Trata	Al castings sold (all SL plants)
Year	kg/t of Al sold	kg/t of Al sold	kg/t of Al sold	kg
2016	11.91	34.55	0.71	20,558,548
2017	11.30	31.59	1.20	23,451,703
2018	11.71	33.57	5.80	27,064,281
2019	8.71	32.60	2.84	28,127,081

Waste at the locations of the Škofja Loka and Ljubljana plants where the foundries are located is significantly higher than at Trata where both a tool making facility and a plant for mechanical and manual processing of castings is located. The graph below shows the waste trend at both foundries. In 2018, we also started processing castings at Trata, thus the growing trend of waste at this location.



⁶⁴ GRI 306-2

All aluminium scrap generated during the die casting process is reused as input raw material⁶⁵. Melting furnaces and blasting machines are sources of air pollution emissions. Measurements and operational controls are carried out to demonstrate that emissions into the air are below the permissible thresholds (dust, nitrogen oxides, sulphur oxides etc.⁶⁶).

During production processes technological waste water is generated and is treated at the on-site treatment plants operating at all locations before being discharged into the public sewerage network. A closed loop approach is used. Operational monitoring of waste water is carried out in accordance with legislation⁶⁷.

Industrial waste water from casting processes is treated with internal waste water from the treatment plant at all locations. Treated water is discharged into the public sewage system. Operational control of industrial waste is carried out in accordance with legislation⁶⁸.

We demonstrate compliance with annual reports prepared by authorised operational monitoring providers⁶⁹.

We use two measurement approaches to analyse the carbon footprint: the market approach and the location approach.

CO₂ market assessment = actual CO₂ value of the electricity or natural gas distributor.

CO₂ location assessment = average value according to the operation site (the factor for Slovenia is 0.315).

⁶⁵ GRI 301-2

⁶⁶ GRI 305-7

⁶⁷ 2017 Annual Report on Emissions into the Air, Škofja Loka, Ljubljana, Trata, IVD Maribor

⁶⁸ GRI 306-1

⁶⁹ 2017 Operational Waste Water Monitoring Report for LTH Castings d.o.o., 2017, Obrat Škofja Loka, Ljubljana, Trata, NLZOH

Izvještaj od fizičko hemiska analiza na otpadna voda od LTH Learnica DOOEL, Ohrid; Farmahem, Ilac, MRA

Ispitni izvještaj trenutnog uzorka otpadne vode LTH Alucast d.o.o., Čakovec; Laboratorij Bioinstitut Čakovec prema normi (Otpadne vode) HRN ISO 5667-10:2000*

Ispuštanje i/ili prijenos otpadnih voda, Registr onečišćavanja okoliša; Obrazac PI-V; Podaci za 2019. godinu; Sustav javne odvodnje s centralnim uređajem za pročišćevanje otpadnih voda; Zadarska županija

3.3. SUSTAINABLE RELATIONSHIP WITH THE LOCAL COMMUNITY

Social responsibility is one of the key pillars of the responsible business operations of the LTH Group. All the notifications and requests by interested parties are registered and considered individually.⁷⁰

The LTH Castings Group is aware of its responsibilities to its employees, business partners and to the local communities in which its facilities are located.

The company receives many requests for donations and sponsorships. Sponsorships are regulated by sponsorship agreements in which the obligations for fulfilling these are agreed on the part of the sponsor and the sponsee.

All requests are reviewed and examined by the management and resolved according to their importance. In the last two years, we have sponsored and made donations to:

SPONSORSHIPS

- ✓ Škofja Loka Basketball Club
- ✓ Ski and Tourist Centre STC Stari Vrh d.o.o.
- ✓ Škofja Loka Women's Handball Association
- ✓ 8th Škofja Loka Four Bridges Run
- ✓ Oddih Gorajte Association – Fairy Tale Land
- ✓ Historial Škofja Loka Event

DONATIONS

- ✓ Slovenian Floorball Association
- ✓ Škofja Loka Mountain Rescue Service Association
- ✓ LTH Activ Sports Society
- ✓ Ivan Grohar Elementary School in Škofja Loka
- ✓ Cvetko Golar Elementary School
- ✓ Škofja Loka Friends of Youth Association
- ✓ Slovenian Red Cross – Škofja Loka Regional Unit
- ✓ Rotary Club Škofja Loka
- ✓ Lions Club Škofja Loka
- ✓ Children's Youth Association Fridina mišnica
- ✓ Trata Volunteer Fire Brigade
- ✓ Škofja Loka Volunteer Fire Brigade
- ✓ Hrastov Dol Volunteer Fire Brigade
- ✓ Singing Group Mavrica DU Škofja Loka
Stari Vrh Tourist Association – Ethnographic Event Charcoal Burners'
- ✓ Day
ŠENT–Slovenian Association for Mental Health, CDZS Gorenjska
- ✓ Region
- ✓ LOB Tennis Society
- ✓ St. Stanislav's Girls' Choir of the Diocesan Classical Gymnasium
Social Work Centre of the Republic of Slovenia, Gorenjska Unit, Škofja
- ✓ Loka

We carefully choose with whom to cooperate in the local community. We support sports and the development of the entire region, and take care of the socially disadvantaged.

In supporting sports, we could highlight our long-term cooperation with the Škofja Loka Basketball Club. We have a sponsorship agreement with the club. In cooperation with other

⁷⁰GRI 103-1, GRI 103-2, GRI 103-3, 102-43

major companies in the region we have also helped to encourage and promote ski tourism in Stari vrh which is important for the entire region.

Cooperation with the local community also includes cooperation with school centres, faculties, the municipalities of Ljubljana and Škofja Loka or with the Central Slovenia Region.

We are a company with the most candidates involved in the apprenticeship programme. This means that as much as 50% of the educational programme is carried out in our company, where the candidate is acquainted with the company and settles into the working environment. The apprenticeship programme is conducted in such a way that a certain mentor takes care of the candidate throughout the entire programme and prepares him/her to perform independent work. In this way, the apprentice acquires the knowledge and competencies that are actually needed in the work processes, and begins to shape his/her career very early on with the support of the company and the adaptation of school education. Upon completion of the programme, the candidate is qualified to independently perform the job in which he/she is employed.

We conduct personal interviews with potential apprentices and, on the basis of information obtained from a pre-structured questionnaire, select candidates for whom we undertake to carry out a professional programme. Upon completion of the programme, the candidate will be competent to independently perform the profession in our company.

The proximity of the Škofja Loka School Centre and the Kranj School Centre enables smooth cooperation and adaptation of the learning requirements to the needs of the company's work process which can change quickly.

As the largest scholarship awarder, we also ensure the required and desired staff for our company for the future, thus relieving the burden on any state scholarship funds and unemployment institutes with respect to apprenticeship and scholarship programmes.

The stakeholders of local communities monitor and support the company which can be seen from the articles presented below.⁷¹

⁷¹GRI 102-43

COOPERATING WITH SCHOOLS

LTH CASTINGS SUPPORTS MANUFACTURE OF MIND-CONTROLLED WHEELCHAIR WITH DONATION

We live in a time of incredibly rapid progress of new technologies and materials, especially in the field of informatics. The educational process must follow if we want creative people who will lead us to competitiveness with high-end products and services. Classical frontal teaching as it was used years ago is no longer enough. The most able, interested secondary and tertiary students need to be offered new forms of pedagogical work so that at the end of their education they will have sufficiently broad, modern knowledge and be able to compete with the best in the world and immediately start with business-development life.



Figure 20 When students of mechatronics, power engineering and informatics join forces, a mind-controlled wheelchair is created

actually works and the wheelchair moves by mind control, but it is necessary to further improve the reliability of impulse capture from the brain and optimise the programme.

At the Kranj School Centre, we joined the international project RISE – Regional Innovation Hubs Strengthening Social Entrepreneurship through Cross-Border Community Projects. We invited students from three fields: mechatronics, power engineering and informatics. As part of the project, we trained together with mentors on the importance of social entrepreneurship, methods and tools for creating innovative companies and those related to the social sector. Following the procedures we learned in the project, we chose the design, construction, wiring and programming of a wheelchair that can also be controlled with mind. We got in touch with the Korak Association, and they helped us with advice and descriptions of issues that people with disabilities face. In the design, we focused on the use of advanced materials (carbon fibre), driving the wheelchair with the help of electricity (electric motor) and control with the mind. And we succeeded. The wheelchair starts to move and changes direction by mind control. How does that work?

A headphone-like device with 9 touch points - sensors is placed on the head. These sensors measure the intensity of impulses in the brain. These brain impulses tell you what you want to do or move. These impulses are different for each person, and thus appropriate calibration is required at the beginning. A device that recognises these pulses then sends them to the computer. There is a programme on the computer that converts this data into electrical signals and sends them to electric motors, which move the wheelchair. The system

Sustainability report 2019

Students Luka Artelj, Luka Demšar, Lovro Pirjevec, Denis Delić and Anže Plantan participated in the project under the mentorship of Gabrijela Krajnc, Primož Kurent and Nataša Kristan Primšar. They carried out the project from idea to product. The students developed the skills and competencies of technical work, team work and, of course, the use of a foreign language in the process. Social entrepreneurship trainings were also held in Bremen and Valencia. However, the project would certainly not have been so successful without the cooperation of industry and other partners. In addition to LTH Castings, we would also like to thank the Korak Centre and the companies Metron inštitut, Alf-f, Bankart, Iskraemeco, Iskra ISD, Polycom, SRC infonet and



Elektro Gorenjska for their cooperation and financial support.

Figure 21 The team that participated in the design and manufacture of the wheelchair

Author: Gabrijela Krajnc and Primož Kurent, Kranj School Centre

Photo: Kranj SC archive

FOR FURTHER DEVELOPMENT

OPENING OF A NEW TRAINING CENTRE FOR STUDENTS IN THE TRATA PLANT

LTH Castings invests heavily in the knowledge of future generations by providing scholarships for promising staff, as well as by providing practical training for students and apprentices. Among other things, we are the leading partner of the Škofja Loka School Centre to which we also handed over a

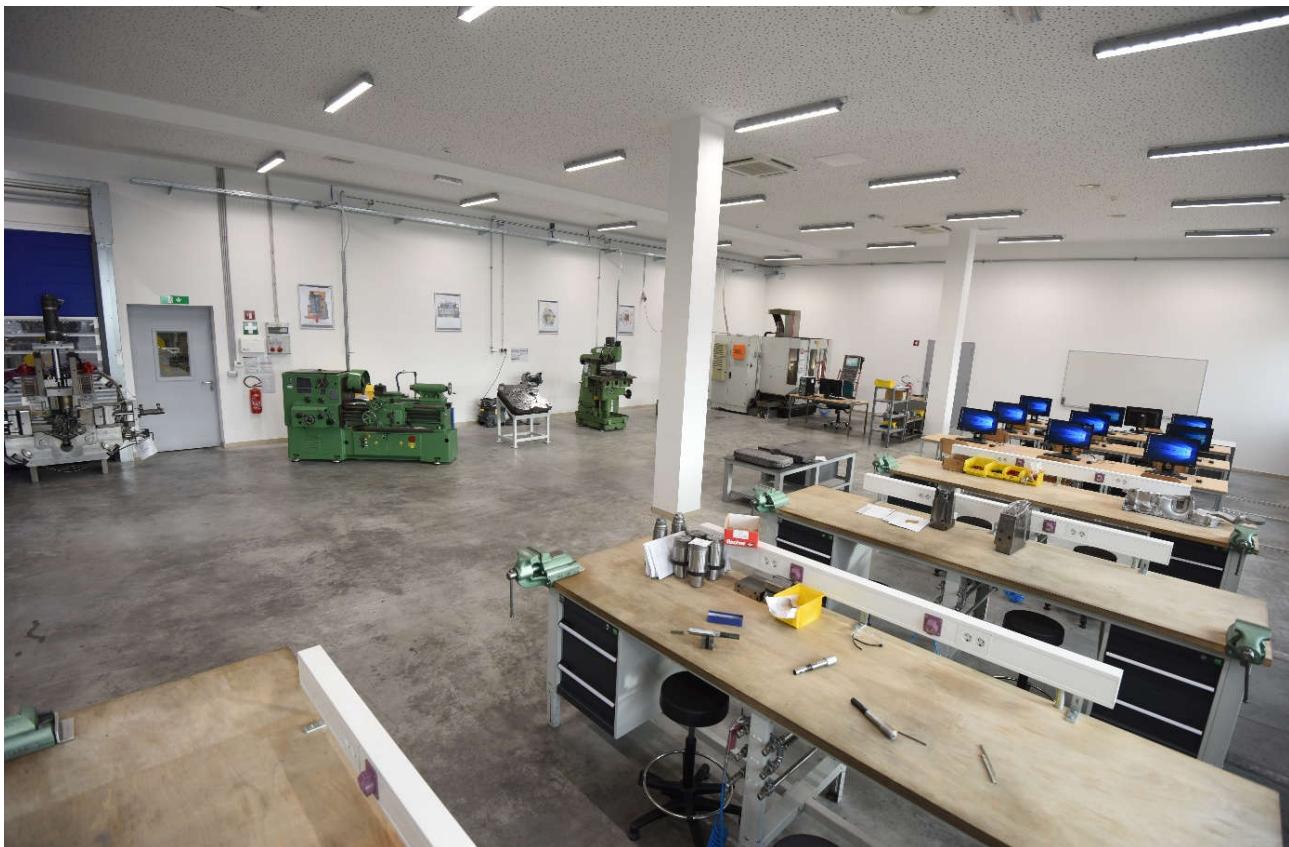


Figure 22 LTH Castings training centre

donation in the amount of 8,000 Euros this year.

On Thursday, October 24, 2019, the official opening of the LTH Castings training centre took place at the tool making facility of the Trata plant where we provide practical training for technical professions. We have invested more than 100,000 Euros in the development of the new training centre in the last three years, and we supplemented its opening by handing

over a check in the amount of 8,000 Euros to the Škofja Loka School Centre. The symbolic check represents a donation for the purchase of equipment for a U-Lab located at the Škofja Loka School Centre. At LTH Castings, we place high importance on investing in the knowledge of young people, as the production technology is highly developed, and future toolmakers, mechanical technicians and engineers must be equipped with various modern skills.

The new training centre at LTH Castings is intended for students of secondary technical schools who are studying to become metal designers - toolmakers or mechanical technicians in the apprenticeship and regular curriculum. They acquire knowledge in a classroom built for this purpose using modern machines and other work aids. They are led by mentors - experts who, in addition to theoretical knowledge, also have a lot of practical experience



Figure 23 1st generation apprentices during training to become tool makers

and are specially trained for this purpose in their mentoring role.

At the opening of the training centre, **Andrej Kranjec**, director of LTH Castings, said: "At LTH Castings, we support the



Figure 24 Students and representatives of the Škofja Loka School Centre, CCIS and LTH Castings at the ceremony of handing over the keys of the learning centre and the donation

transfer of modern practical knowledge in the field of tool making to younger generations. The tool making industry is constantly evolving and there are many opportunities for development in the profession. This is confirmed by our long-term and growing cooperation with the most reputable business partners in the automotive industry who recognise us as quality partners. It is therefore important that we keep up with the development of the automotive industry, which we are doing well. And for that we also require the knowledge of younger generations."

In light of the event, **Martin Pivk**, director of the Škofja Loka School Centre, said: "LTH Castings is the first company in Slovenia to set up a classroom for the needs of its own training of young people, which will be used for practical training through work and for implementation of the open part of the curriculum. In this way, we support good practices abroad where companies are aware that quality training of young people also requires tailored education in the working environment. With this new acquisition the reintroduction of apprenticeship is being upgraded, and the companies are very responsibly involved in the process."

The event was also attended by **Andreja Sever**, director of the Service for Human Resources Development and Education at the Chamber of Commerce and Industry who is in charge of the apprenticeship project. She said: "Many experiences show that the potential of young people can only successfully develop if schools and employers work very closely together in the education and training process. Apprenticeship involves precisely such cooperation, and successful economies in the neighbouring area prove that this is the right path to take in the education and development of individual competencies, not only from the point of view of the employer, but also from the point of view of the satisfaction of individuals who are growing in successful teams with strong support from mentors and other co-workers, and are thus able to successfully do their school work as well. I am glad to have the opportunity to work with LTH Castings, the company that, during the period of re-introduction of apprenticeships in Slovenia, recognised its role and faced up to the great responsibility of educating and training young people. This was also recognised by young people in the area who are competing for positions in the company, and it is no coincidence that the largest number of apprentices in Slovenia are being trained there."

Our apprentices and LTH Castings scholarship recipients from the Škofja Loka School Centre also attended the event where they presented practical lessons to the visitors together with their mentor. Among those present, were also **Tine Radinja**, the Mayor of the Municipality of Škofja Loka, and other guests.

Author: Mateja Pelkič Topak and Mateja Edelbaher, Public Relations

Photo: Deniš Bozovičar

3.4. SUSTAINABLE RELATIONS WITH EMPLOYEES

The average number of employed persons in 2019 was 3,149 (based on the work hours calculation), which is 146 more than in 2018. At the end of the year, 3,113 people were employed by the company.⁷²

Age group	LTH Castings - SI						LTH Metalni ljev - CRO					
	Males	%	Females	%	Gender total	%	Males	%	Females	%	Gender total	%
18-19 years	56	2,88	1	0,05	57	2,93	3	0,57	2	0,38	5	0,95
20-24 years	131	6,73	21	1,08	152	7,81	68	12,85	18	3,40	86	16,26
25-29 years	206	10,58	47	2,41	253	12,99	58	10,96	15	2,84	73	13,80
30-34 years	209	10,73	52	2,67	261	13,41	38	7,18	19	3,59	57	10,78
35-39 years	223	11,45	67	3,44	290	14,89	56	10,59	21	3,97	77	14,56
40-44 years	223	11,45	58	2,98	281	14,43	50	9,45	30	5,67	80	15,12
45-49 years	179	9,19	55	2,82	234	12,02	35	6,62	26	4,91	61	11,53
50-54 years	155	7,96	60	3,08	215	11,04	21	3,97	21	3,97	42	7,94
55-59 years	125	6,42	41	2,11	166	8,53	23	4,35	9	1,70	32	6,05
60-64 years	27	1,39	6	0,31	33	1,69	14	2,65	2	0,38	16	3,02
65 years or ol	5	0,26	0	0,00	5	0,26	0	0,00	0	0,00	0	0,00
Total	1539	79,04	408	20,96	1947	100,00	366	69,19	163	30,81	529	100,00
Average age	38,57		40,81		39,04		36,68		39,61		37,58	

Age group	LTH Alucast - CRO						LTH Learnica - FYROM					
	Males	%	Females	%	Gender total	%	Males	%	Females	%	Gender total	%
18-19 years	4	1,70	0	0,00	4	1,70	2	0,41	0	0,00	2	0,41
20-24 years	27	11,49	5	2,13	32	13,62	28	5,71	6	1,22	34	6,94
25-29 years	27	11,49	8	3,40	35	14,89	44	8,98	4	0,82	48	9,80
30-34 years	26	11,06	13	5,53	39	16,60	43	8,78	18	3,67	61	12,45
35-39 years	16	6,81	10	4,26	26	11,06	54	11,02	17	3,47	71	14,49
40-44 years	25	10,64	22	9,36	47	20,00	62	12,65	22	4,49	84	17,14
45-49 years	15	6,38	17	7,23	32	13,62	51	10,41	30	6,12	81	16,53
50-54 years	9	3,83	4	1,70	13	5,53	42	8,57	14	2,86	56	11,43
55-59 years	4	1,70	2	0,85	6	2,55	25	5,10	12	2,45	37	7,55
60-64 years	1	0,43	0	0,00	1	0,43	13	2,65	3	0,61	16	3,27
65 years or ol	0	0,00	0	0,00	0	0,00	0	0,00	0	0,00	0	0,00
Total	154	65,53	81	34,47	235	100,00	364	74,29	126	25,71	490	100,00
Average age	34,54		38,82		36,02		40,3		42,6		40,9	

Table 3 Employee structure by age and sex

Given its business activity, the company requires narrowly specialised staff. The company maintains regular connections with school centres, has good cooperation with them and creates examples of good practice.

In the 2018/19 school year, we gave scholarships to 73 students and to 83 students in the 2019/20 school year. The students complete their internship in the company. After they complete their education, they are also given the job for which they have trained in the course of their schooling. Students and high-school students thus already familiarise themselves with relevant work-related issues, the latest approaches and the use of the state of the art technology. They upgrade their theoretical knowledge with the latest theories and practical examples. The work experience obtained in the course of their studies spares the future employees from long and stressful job coaching.⁷³

Scholarship holders Academic year	Students	Suspension	Total
2018/2019	69	4	73
2019/2020	73	10	83

⁷² GRI 102-7, 102-8, 401-1

⁷³ GRI 103-1, 103-2, 103-3

3.4.1. EMPLOYMENT POLICY⁷⁴

Employment⁷⁵ and staff selection depend on the requirements of anticipated company growth. In the beginning of the year, the HR department prepares an employment plan in accordance with the requirements of the management.

The heads of individual departments specify their requirements for a specific work placement (job description, defining competencies, personal characteristics of the candidate). The HR department prepares an advert (internal, external, bulletin boards, newspaper, web portal, local papers). Since 2015, job applications are collected through the website, which is transparently implemented in the Gecko HRM human resources information system. This is followed by the review and selection of applications. The selected applications which meet all the criteria are submitted to department heads who make the decision about inviting the candidates to a personal interview.

Personal interviews are constructive; the first part consists of a pre-prepared general questionnaire, while the second part is specific, agreed on in advance and systematically conducted with regard to the job in question. A department head and an HR officer are both present at the personal interview, as well as the mentor in most cases. There are two rounds of interviews at most. After the interview, the department head and the other participants agree on the selected candidate.

The HR department notifies the candidates about whether or not they were selected. The selected candidate must then undergo the administrative part of the process, medical check-up, training and the test of his/her knowledge on occupational health and safety, and training for new employees.

3.4.2. EMPLOYEE STRUCTURE

The educational structure of the employees is shown in the table below. In 2019, there were no significant changes to the educational structure. The number of employees with at least a higher level of education increased in 2019 by 44 employees compared to 2018, or by 80 employees compared to 2017. The share of employees with at least high school education continues to grow. It amounted to 43.5% at the end of 2019. The Group allocates 0.2% of annual sales revenue for education.

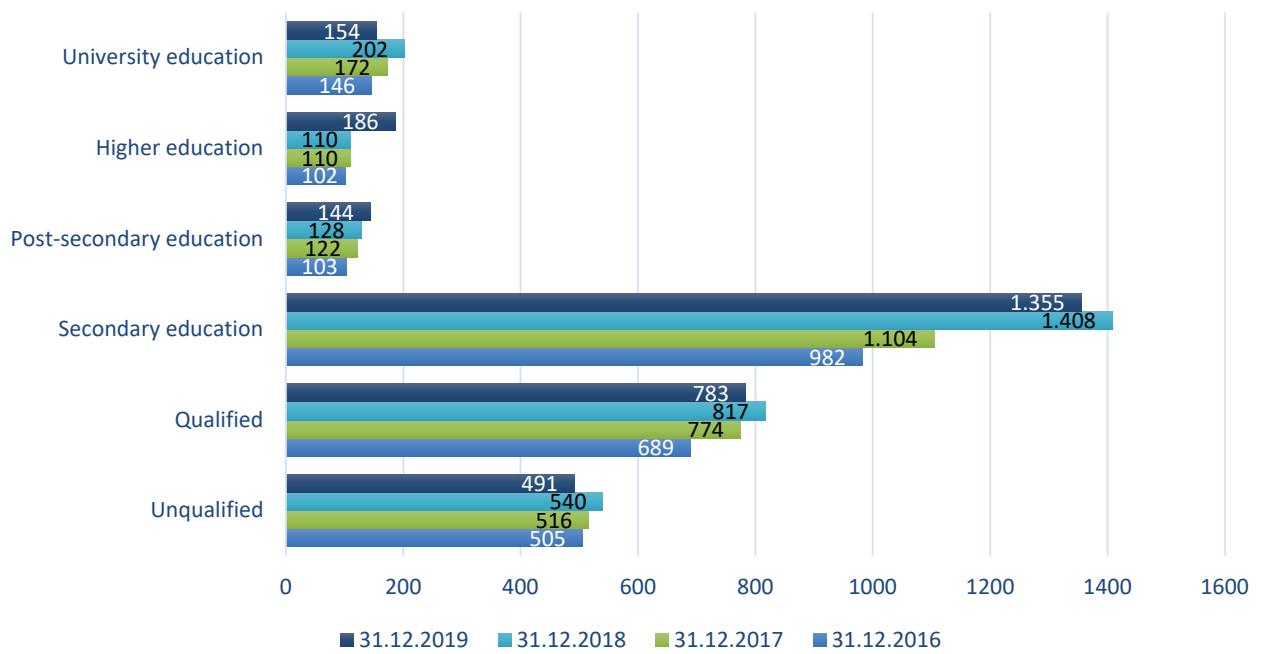
Education	31/12/2016	31/12/2017	31/12/2018	31/12/2019
Unqualified	505	516	540	491
Qualified	689	774	817	783
Secondary education	982	1,104	1,408	1,355
Post-secondary education	103	122	128	144
High education	102	110	110	186
University education	146	172	202	154
Total number of employees	2,527	2,798	3,205	3,113

Table 4 Education of employees in the LTH Group

⁷⁴GRI 103-1, 103-2, 103-3

⁷⁵GRI 401-1, 103-1, 103-2, 103-3

Education level 2016-2019



Graph 1 Levels of education in the LTH Group from 2016 to 2019

Achieving the goals of the integrated management system depends on the education and training of the employees. Continuous and systematic emphasis on education, training and awareness represent a key motto in the company culture.

The extent of education and training in place is such as to ensure that the employees are trained to safely perform the tasks of their respective work placements, that they are sufficiently trained to implement and understand the requirements, procedures and other documents of the systems of quality, safety, health and environmental management, that they are aware of their responsibility in the framework of the integrated management system and are capable of performing their jobs.

Communication with the employees⁷⁶ is vital within the LTH Group. The Group uses different communication channels, with the most frequently used being one-on-one conversation, innovation and continuous improvement system, 5S and the TPM system, the internal newsletter LTH Reporter, the LTH Academy, bulletin boards, web communication, tele- and video-conferences. At the time of writing this report on the sustainable development of the company we are facing the COVID-19 pandemic, and communication is being completely shifted to electronic media. Personal communication is prohibited, employees are being informed and encouraged via SMS on their personal mobile devices, and training on the use of the MS Teams application has been established.

⁷⁶GRI 103-1, 103-2, 103-3, 402



Figure 25 Example of a screen saver on all computers during the COVID-19 epidemic

Given the nature of its work and diversification of information which is essential for the employees, the company adheres to the notification deadlines set out in the law (Employment Relationships Act-1) and bylaws (Employment contract) regulations.

Some information is provided prior to the change, and some as soon as possible after the change has been implemented.

An example of an important change:

- *Distribution of annual working time*

The information on the annual working time for the coming year is provided to the employee in writing sent to his or her home address by the 18th of December of the current year for the coming year.

- *Transfer of the employee to a different location of the company.*

The employment contract specifies that the company shall notify the employee on the change of his or her working location 8 days before the beginning of his or her work at the new location.

The LTH Academy is an employee training programme. Its aim is to upgrade and develop the employees' understanding of individual business functions and processes of the LTH Castings Group and ensure transfer and exchange of knowledge and experience among the facilities. Training is conducted in English.

Sustainability report 2019

On 31/12/2019 the company employment situation with regard to the type of employment⁷⁷ was as follows:

	LTH Castings	LTH Metalni lijev	LTH Alucast	LTH Learnica	Total
Permanent employment	1,564	418	177	336	2,495
Fixed-term employment	295	110	58	154	617
Non-renewal of the employment contract	59	27	15	15	116

Table 5 Employees by type of employment

As can be seen in the below table, the company does not have workers employed through agencies.

Agency workers	2018	2019
Slovenia	0	0
Croatia – LTH Metalni lijev	0	0
Croatia – LTH Alucast	0	0
North Macedonia	0	0

Table 6 Agency workers

All of the employees in all fields and levels are included in education and training. Last year, the company allocated approximately 30,000 hours for employee education and training, which is 10 hours of education and training per employee on average.⁷⁸

Training in h	LTH Castings		LTH Metalni lijev		LTH Alucast		LTH Learnica		Total	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Internal training	5.966	5.916	16	261	356	255	1.803	1.400	8.141	7.832
External training	14.400	13.754	1.943	4.419	141	257	2.658	2.656	19.142	21.086
Total training	20.366	19.670	1.959	4.680	497	512	4.461	4.056	27.283	28.918

Figure 12 Education in the LTH Group

We provide employees with both internal and external education with which we develop special expertise related to the business operations of the Group, as well as professional and personal competencies. Employees can attend various in-house professional, educational and training courses, foreign language courses, computer courses and various workshops for the development of personal competencies and the strengthening of their own health.⁷⁹

Staff fluctuation⁸⁰ is an important indicator of the situation in the company. A systematic approach and modern conditions in the manner of doing business require great willingness to listen to the needs of the employees, search for joint action and establish conditions in which the employees represent the main competitive advantage of the company.

Fluctuation	2018	2019
Year		
SLO - LTH Castings	9,23	8,77
CRO - LTH Metalni Lijev	16,28	17,74
CRO - LTH Alucast	1,72	1,01
FYROM - LTH Learnica	12,66	14,05

Table 7 Fluctuation

The table above shows the decline in fluctuation in plants in Slovenia and in Croatian LTH Alucast which is attributed to the good name and the economic situation of the company. After initial difficulties, LTH Alucast continued at a more relaxed pace, which is also due to lower fluctuation. In Croatia, the percentage of fluctuation in LTH Metalni lijev and in North Macedonian Learnica is higher which is attributed to several factors. One is retirement and the other non-renewal of contracts due to reduced orders.

⁷⁷GRI 102-8

⁷⁸GRI 404

⁷⁹GRI 103-1, 102-2, 103-3

⁸⁰GRI 401-1

One of the sustainability goals is to establish better working conditions for the employees and lower their fluctuation at all locations.

The percentage of fluctuation encompasses all employee departures: mutually consensual termination of employment, conclusion of fixed-term employment that was not renewed either by the decision of the employer or the employee, termination of employment by the employer.

The Group has set up the system of occupational health and safety at all of its locations, in compliance with the requirements of the ISO 45001 standard.⁸¹

In 2019, occupational accidents ending in sick leave occurred in the Slovenian facilities of the company⁸².

Year 2018	No. of accidents	No. of employees	No. of lost work days
SI - LTH Castings	20	1886 + 7 RC*	394
HR - LTH Metalni Ilijev	10	609	236
HR - LTH Alucast	9	194	122
FYROM - LTH Learnica	10	512	162

RC* development centre

Year 2019	No. of accidents	No. of employees	No. of lost work days
SI - LTH Castings	35	1172 + 2 RC*	553
HR - LTH Metalni Ilijev	4	466	183
HR - LTH Alucast	2	228	133
FYROM - LTH Learnica	461	2	25

RC* development centre

The type of injuries varied from cuts, to blows, burns, falls... The registry is not available in the form in which it could be considered information of a public nature.

The managerial reviews regularly monitor the management plan of the system of occupational health and safety, which complies with the ISO control appraisals, as these activities allow the company to regularly eliminate any shortcomings⁸³.

⁸¹GRI 103-1, 103-2

⁸²GRI 403-2

⁸³GRI 103-2, 103-3

The topics underlined in the 2019 plan were concluded in 2019 with adequate programmes.

ŠKL	LJ	TR	Aspect	Explanation
x	x	x	explosion safety	Ex equipment certification – renewal of ex equipment maintenance certificates
	x		aerosols	Test installation of the aerosol extraction system
x	x	x	first aid	Conducted training for first aid in the workplace
x	x	x	health promotion	Organised vaccination against seasonal flu
x	x	x	health promotion	Organised voluntary first aid training and AED defibrillator handling
x	x	x	fire safety	Training for the use of isolated breathing apparatus
x		x	fire safety	Placement of an active fire protection system
x		x	fire safety	Preparation of fire regulations, fire plans, evacuation plans
x	x	x	fire safety	Evacuation exercises performed with demonstration of extinguishing with different types of fire extinguishers
x	x		work equipment	Implementation of the LO-TO system (Lock Out / Tag Out)
x	x	x	external contractors	Preparation of uniform instructions for external contractors
x	x	x	safety certificate	Acquisition of a new standard for occupational health and safety ISO 45001
x	x	x	working environment	Performed measurements of chemical hazards at workplaces
x	x	x	working environment	Performed measurements of noise, illumination and micro climate

The sustainable development of the Group can be seen primarily in our relation to employees. The employees are provided internal and external training, both in certain expert areas and on general content.

The employees are provided content aimed at lowering the risk of preventable diseases.

The employees are rewarded if they do not use sick leave. Each year, all of the employees are invited to a festive social event. Each year, we treat our employees' children to a theatre performance and a visit by Father Frost who brings them gifts.

In addition to regular lectures on occupational health and safety, we give our employees the opportunity to attend sports activities in their free time for a reduced price. We also sponsor the LTH Castings basketball team. The company sponsors individual events and makes donations at charity events.

In the company there is a subsidiary of the Trade Union of the Metal and Electric Industry of Slovenia (SKEI). SKEI⁸⁴ is an independent representative interest organisation of voluntarily associated employees – members, which represents the economic, business, professional, cultural and other interests of its membership at all levels of the trade union.

In accordance with its programme and due to joint interests, SKEI forms part of the umbrella organisation of the Association of Free Trade Unions of Slovenia (ZSSS), www.zsss.si and cooperates with other trade unions.

Each employee of LTH Castings has the option of joining the trade union and using its services. The company does not keep any record of trade union membership.

⁸⁴GRI 103-1, 103-2, 103-3, 407

The Code of Conduct prohibits discrimination and forced labour. Moreover, in the Code the company undertakes to not employ workers below the lowest permissible age in accordance with the International Labour Organisation convention, UN conventions and national legislation⁸⁵.

The company has no record of any discrimination cases at work.⁸⁶

3.4.3. INTERNSHIP AND DECENT WORK⁸⁷

Sustainable development also takes place in the local environment where we work to reduce unemployment, as employees mainly come from the local environment.

Employees are given a chance for a better standard of living and secure working environment.

All of the work placements within the company are regulated by the Systematisation and Organisation of Employees Act in LTH Castings d.o.o.

Job systematisation is implemented in such a way as to ensure full employment of employees and make sure that the total number of jobs is suitable for the extent of tasks, the type and manner of task performance.

Jobs are designed in such a way as to allow for:

- the organisation of the work process,
- efficient organisation of work in the current period and during the implementation of changes,
- flexible distribution of work within an individual organisational unit, regulating work processes, determining adequate standards and procedures for selecting employees and their education and development,
- normal professional growth and promotion at one job or from one job to another,
- control within the work process in accordance with the principle of comprehensive quality management,
- the transfer of expertise and experience to co-workers.

To ensure the optimal organisation of the work process, the Work Systematisation and Organisation Act of the Group envisions special consideration of managerial and key work posts. Key employees occupy the most challenging jobs within the Group, which require at least the sixth level of education and no fewer than five years of work experience.

All of the employees have contributed to the competitiveness of our products and services. This can also be seen from the innovations proposed by company employees. A justifiable technological innovation is studied, realised and remunerated. This encourages the generation of new ideas at each work post.

The table below shows data on innovations provided by employees. The innovation trend is growing, which sort of indicates affiliation and positive attitude of employees.

These innovations usually take the form of more rational use of material and time or a simplified procedure, which also indirectly impacts lower consumption of material, energy, etc.

Employee innovation is encouraged and rewarded.

Innovations

Year	2018	2019
SLO - LTH Castings	98	116
HR - LTH Metalni lijev	19	9
HR - LTH Alucast	/*	9
FYROM - LTH Learnica	1	22
	118	156

Each job description clearly specifies the competencies expected from an employee.

⁸⁵GRI 103-1, 103-2, 103-2, 408, 409

⁸⁶GRI 103-1, 103-2, 103-3, 406

⁸⁷GRI 103-1, 103-2, 103-2

*LTH Alucast did not yet have an innovation system in place in 2018.

Competencies are characteristics and capabilities which allow an individual to successfully and efficiently carry out his or her work with regard to the job requirements. They consist of a combination of skills, expertise, experience and attitude which contributes to good work performance.

Annual interviews of key employees, performed with the assistance of the GECKO HRM portal, are regular and thorough. Annual interviews have a stimulative effect on employees, as their main task is to review the goals set during the previous annual interview and their realisation, as well as to set new goals.

In 2019, the company held 156 annual interviews; 116 in Slovenia, 18 in Croatia and 22 in North Macedonia.

3.4.4. HUMAN RIGHTS⁸⁸

The employees of the Group have all the rights and are bound by all the obligations under the applicable legislation (Employment Relationships Act and other laws and by-laws, regulations, the company's internal documents and the employment contract). The employees are also protected by the internal document Rules on ensuring worker protection against sexual and other harassment, mobbing and other forms of discrimination.

With regard to the issue of human rights, the company did not undergo a thorough review.

⁸⁸GRI 103-1, 103-3, 103-4, 412

3.5. RESPONSIBILITY TO BUYERS⁸⁹

Our products are our responsibility to our buyers and our employees. Indirectly, the responsibility also lies with the company suppliers, who are obligated to provide raw material ordered in accordance with our written and non-written standards. These standards make up the comprehensive image of the company in the eyes of our buyers.

The company focuses on the areas which ensure the competitive advantage of our products and services, namely:

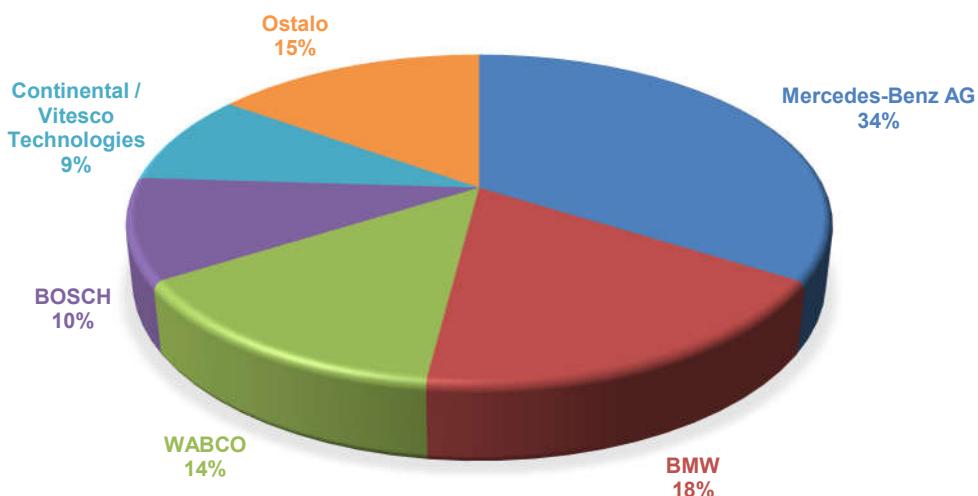
- technological innovation,
- thought-out and modern design.

The company follows the guidelines set out by the global automotive market. This is why close cooperation with our buyers (Anvis, Audi, BMW, Bosch, Continental, Daimler, JTEKT, TBVC, TRW, Wabco...) is required. The engineers in the development department cooperate with the developers of our buyers at the stage of the prototype design. As 100% of the company's products are parts for the automotive industry, with the majority of them being products which are vital parts of vehicle engines, the company is aware of its indirect responsibility to the end vehicle buyers.

The table below shows annual income per buyer.⁹⁰

Buyers	Sales in 2019 in million €	Share of sales per buyer
Mercedes-Benz AG	104.46	34%
BMW	55.30	18%
WABCO	43.01	14%
BOSCH	30.72	10%
Continental / Vitesco Technologies	27.65	9%
Other	46.09	15%
Total sales	307.24	100%

SHARE OF SALES PER BUYER IN 2019



Graph 2 Sales per buyer 2019

⁸⁹GRI 103-1, 103-2, 103-3

⁹⁰GRI 102-6

Sustainability report 2019

The responsibility of the LTH Castings Group is acknowledged by our buyers through awards, which we have received for:

- being the best supplier, strategic business partner,
- the highest possible quality of our products,
- distinguished quality, technology, low costs and fast delivery.

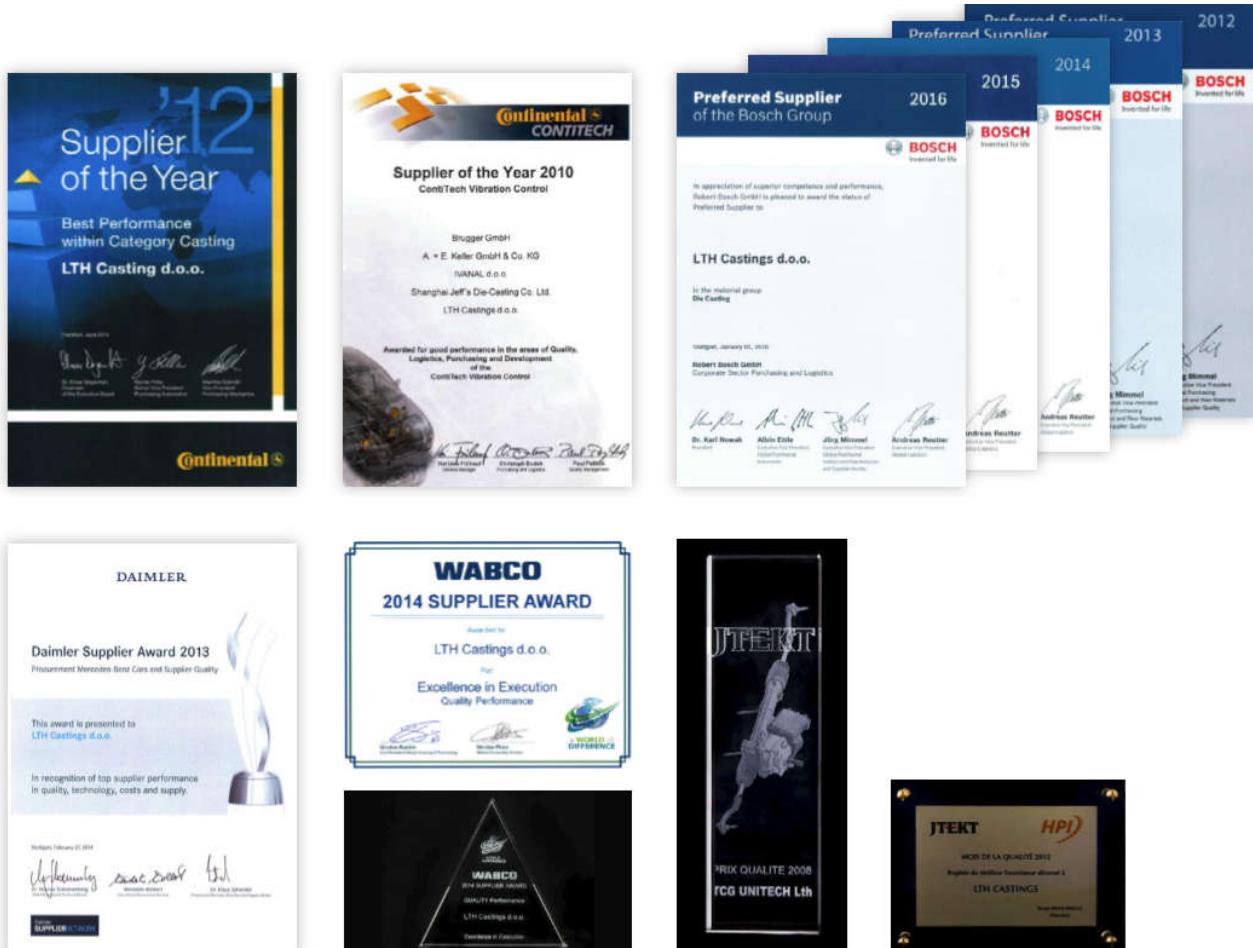


Figure 26 Awards received

The business operations of the Group have been gradually and continuously developing, growing and improving, thus steadily paving the way for the Group with its business partners, banks and its employees.

Being part of the automotive industry, we monitor the market with a watchful eye. During this time, the automotive industry has already entered e-mobility which means major changes in production processes for all production plants indirectly connected to vehicle manufacturers. The transition to e-mobility is a difficult leap because all the established and well-tested practices and paths are being replaced.

In the strategy towards the buyer we are already looking for new counterparts among the existing partners and for new business partners, as well as discovering new components and their requirements. The competition in the market is strong so we must be the best and strive to achieve our mission of "casting the future".

New buyers and new partnerships are acquired using various communication tools. One important is the participation at the Euroguss foundry fair in Nuremberg and at the WFO Technical Forum.

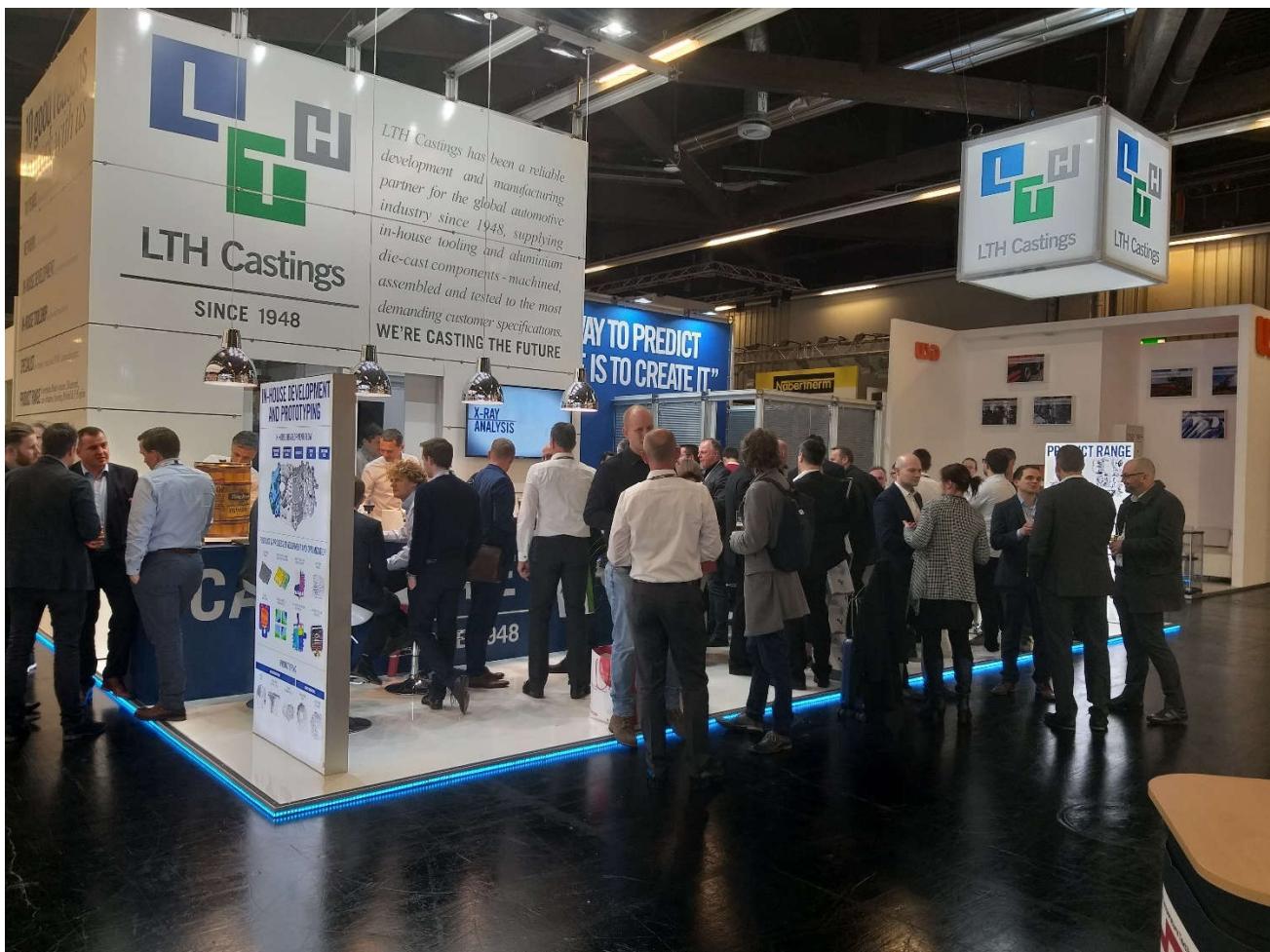


Figure 27: Exhibition space of LTH Castings Group at the Euroguss fair

The acquisition of a new buyer was already the result of recommendation by the existing buyer. Potential buyers also find us themselves and establish contact with us through the website.

By keeping up to date with developments in our industry we can also identify our potential new buyers.

The opportunities offered to us are carefully examined and evaluated on the basis of possible cooperation. If there is mutual interest, the standard procedure of acquiring new cooperation, coordinating the mutually agreed contract and getting to know the buyer starts. In principle, new buyers come to the company and see our production and machinery.

The head of the OEM⁹¹ and TIER⁹² 1 and 2 sales offices and their team examine the possible cooperations.

In cooperation with the project manager a pre-calculation is prepared which takes into account the use of the desired or required materials, procedures, deviations and the calculation of the approximate casting price. If we are nominated for a piece by the buyer we open a new business partner code in the information system. The project manager opens the business linked to the business partner and determines the preparations and the required processing on the piece. It starts with the production of a mould – a prototype tool (the type of tool depends on the piece). The prototype tool is for a small number of pieces (e.g. 2,000 pieces). After confirmation of the prototype the manufacture of tools and all necessary devices and the preparations for serial production begin. After all the tools and all the devices are made and the preparations necessary for the piece are completed we cast the sample pieces, and after confirming that they meet all the standards required by

⁹¹OEM – buyers classified as vehicle manufacturers

⁹²TIER 1 and 2 – buyers classified as vehicle manufacturers' suppliers

the buyer we start casting the batch. From here, we ensure timely deliveries and appropriate quality of buyers according to the standards required.

Communication between the buyer and our company is of crucial importance and therefore conducted at a very high level.

Every buyer has a key administrator within the company who takes care of current operations and regularly solves any problems that arise in the course of business. The key administrator monitors, negotiates and coordinates buyer requirements, monitors technology trends in the industry, organises and coordinates cooperation with buyers, supervises logistics activities to the buyer, ensures the operationalisation of strategic sales, checks and initials contracts, prepares offers based on received pre-calculations in accordance with internal regulations and monitors their realisation, monitors receivables and payables to buyers, communicates with and visits buyers, compiles and checks price lists, and cooperates and resolves buyer complaints.

CONTENT INDEX BY GRI STANDARD⁹³

GRI	Description of disclosure	Page	Reporting limits
GENERAL STANDARD DISCLOSURES			
GRI 101: Foundation			
GRI 102: General Disclosures 2017			
Presentation of the organisation			
102-1	General presentation of organisation	7, 8	LTH Castings Group
102-2	Brands, products and services	12	LTH Castings Group
102-3	Organisation headquarters	7, 8	LTH Castings Group
102-4	Countries in which the organisation operates	12	LTH Castings Group
102-5	Ownership and legal form	7, 8	LTH Castings Group
102-6	Client markets	12, 62	LTH Castings Group
102-7	Criteria / size of the organisation	12, 53	LTH Castings Group
102-8	Type of employment	53, 57	LTH Castings Group
102-9	Supply chain	12	LTH Castings Slovenia
102-10	Significant changes in the organisation	12	LTH Castings Group
102-11	Precautionary approach and principles	26	LTH Castings Group
102-12	External initiatives	26	LTH Castings Group
102-13	Cooperation with other organisations	15	LTH Castings Slovenia
Strategy and analysis			
102-14	Letter from the managing director	3, 4, 5, 6	LTH Castings Group
102-15	Key impacts, risks and opportunities	12, 32	LTH Castings Group
Ethics and integrity			
102-16	Ethics and integrity Mechanisms for advising and making complaints / giving praise regarding ethical matters	27	LTH Castings Group
102-17		27	LTH Castings Group
Management			
102-18	Organisational structure	27	LTH Castings Group
Stakeholder engagement			
102-40	List of stakeholders	23, 24	LTH Castings Group
102-41	Collective agreement	25	LTH Castings Slovenia
102-42	Identification and selection of stakeholders	19, 23, 24 23, 24, 25, 47,	LTH Castings Group
102-43	Approach to stakeholder engagement	48	LTH Castings Slovenia
102-44	Cooperation with stakeholders	23, 25, 26	LTH Castings Group
Reporting details			
102-45	Entities included in the consolidated financial statements	7, 8, 18	LTH Castings Group
102-46	Process of determining the content of the report and setting the limit	16, 17	LTH Castings Group
102-47	List of material topics	26	LTH Castings Group + stakeholders
102-48	Effects of changes in data from previous reports and reasons for changes	17	LTH Castings Group
102-49	Changes in reporting	17	LTH Castings Group
102-50	Reporting period	17	LTH Castings Group
102-51	Last reporting date	17	LTH Castings Group
102-52	Reporting cycle	17	LTH Castings Group

⁹³GRI 102-55

102-53	Contact point for questions about the report	17	LTH Castings Group
102-54	Reference for reporting in accordance with GRI standards	7, 8, 16 66, 67, 68, 47,	LTH Castings Group
102-55	Content index by GRI standards	48	LTH Castings Group
102-56	External revision of reporting – audit	15, 17, 70	LTH Castings Slovenia
SPECIFIC STANDARD DISCLOSURES			
GRI 201: ECONOMIC IMPACTS			
103-1	Material topics	29	LTH Castings Group
103-2	Management approach Assessment, measurement of management approach	29	LTH Castings Group
103-3		29	LTH Castings Group
GRI 201: Economic domain			
201-1	Direct economic value	29, 30	LTH Castings Group
201-2	Financial implications and other risks and opportunities due to climate change	30	LTH Castings Group
GRI 205: CORRUPTION PREVENTION			
103-1	Material topics	34	LTH Castings Group
103-2	Management approach Assessment, measurement of management approach	34	LTH Castings Group
103-3		34	LTH Castings Group
	205 Corruption prevention	34	LTH Castings Group
ENVIRONMENTAL IMPACTS			
GRI 301: Materials			
103-1	Material topics	35	LTH Castings Group
103-2	Management approach Assessment, measurement of management approach	38	LTH Castings Group
103-3		35, 43	LTH Castings Group
	301 Materials	35	LTH Castings Group
301-1	Use of materials in weight and volume	13, 14, 43	LTH Castings Group
301-2	Use of recycled material	36, 43, 46	LTH Castings Group
301-3	Packaging		LTH Castings Group
GRI 302: Energy			
GRI 302: Energy			
103-1	Material topics	38, 41	LTH Castings Group
103-2	Management approach Assessment, measurement of management approach	38	LTH Castings Group
103-3		38, 42	LTH Castings Group
	302 Energy	38, 41, 42, 43	LTH Castings Group
GRI 303: Water			
103-1	Material topics	38	LTH Castings Group
103-2	Management approach Assessment, measurement of management approach	38	LTH Castings Group
103-3		38	LTH Castings Group
	303 Water	38	LTH Castings Group
GRI 305: Emissions			
103-1	Material topics	38	LTH Castings Group
103-2	Management approach Assessment, measurement of management approach	38	LTH Castings Group
103-3		38	LTH Castings Group
	305 Emissions	38, 43	LTH Castings Group
305-7	Nitrogen oxides, sulphur oxides and other significant emissions into air	38, 46	LTH Castings Slovenia

GRI 306: Effluents and Waste			
103-1	Material topics	38	LTH Castings Group
103-2	Management approach	38	LTH Castings Group
103-3	Assessment, measurement of management approach	38	LTH Castings Group
306	Effluents and waste	38	LTH Castings Group
306-1	Effluents by quality and intended use	46	LTH Castings Slovenia
306-2	Waste by type and disposal method	14, 36, 45	LTH Castings Group
GRI 307: Environmental Compliance			
103-1	Material topics	40	LTH Castings Group
103-2	Management approach	38, 40	LTH Castings Group
103-3	Assessment, measurement of management approach	40	LTH Castings Group
307-1b	Compliance with environmental laws and regulations	40	LTH Castings Group
GRI 308: Supplier Environmental Assessment			
103-1	Material topics	32	LTH Castings Group
103-2	Management approach	32	LTH Castings Group
103-3	Assessment, measurement of management approach	32	LTH Castings Group
308	Supplier environmental assessment	32	LTH Castings Group
SOCIAL TOPICS			
GRI 401: Employment			
103-1	Material topics	53, 54	LTH Castings Group
103-2	Management approach	53, 54	LTH Castings Group
103-3	Assessment, measurement of management approach	53, 54	LTH Castings Group
401-1	Hiring new employees	53, 54, 57	LTH Castings Group
GRI 402: Labour / Management Relations			
103-1	Material topics	55	LTH Castings Group
103-2	Management approach	55	LTH Castings Group
103-3	Assessment, measurement of management approach	55	LTH Castings Group
402	Labour / management relations	55	LTH Castings Group
GRI 403: Occupational Health and Safety			
103-1	Material topics	58	LTH Castings Slovenia
103-2	Management approach	58	LTH Castings Group
103-3	Assessment, measurement of management approach	58	LTH Castings Group
403	Occupational health and safety	58	LTH Castings Group
403-2	Type and severity of injuries, occupational diseases, lost days and absenteeism, and number of work-related deaths	58	LTH Castings Group
GRI 404: Training and Education			
103-1	Material topics	57	LTH Castings Group
103-2	Management approach	57	LTH Castings Group
103-3	Assessment, measurement of management approach	57	LTH Castings Group
404	Training and education	57	LTH Castings Group
GRI 406: Non-discrimination			
103-1	Material topics	60	LTH Castings Group

103-2	Management approach Assessment, measurement of management approach	60	LTH Castings Group
103-3		60	LTH Castings Group
	406 Non-discrimination	60	LTH Castings Group
GRI 407: Freedom of Association and Collective Bargaining			
103-1	Material topics	59	LTH Castings Group
103-2	Management approach Assessment, measurement of management approach	59	LTH Castings Group
103-3		59	LTH Castings Group
	407 Freedom of association and collective bargaining	59	LTH Castings Group
GRI 408: Child Labour			
103-1	Material topics	60	LTH Castings Group
103-2	Management approach Assessment, measurement of management approach	60	LTH Castings Group
103-3		60	LTH Castings Group
	408 Child labour	60	LTH Castings Group
GRI 409: Forced or Compulsory Labour			
103-1	Material topics	60	LTH Castings Group
103-2	Management approach Assessment, measurement of management approach	60	LTH Castings Group
103-3		60	LTH Castings Group
	409 Forced or compulsory labour	60	LTH Castings Group
GRI 412: Human Rights Assessment			
103-1	Material topics	61	LTH Castings Group
103-2	Management approach Assessment, measurement of management approach	61	LTH Castings Group
103-3		61	LTH Castings Group
	412 Human rights assessment	61	LTH Castings Group

To the management and stakeholders of LTH Castings group - Ekvilib Institute has been engaged by LTH Castings d.o.o., Vincarje 2, 4220 Škofja Loka, to provide third party assurance regarding the content of Sustainability Report 2019 for LTH Castings Group.

Scope of assurance - The assurance was performed in accordance with GRI Sustainability Reporting Standards, 2016. The report is published in PDF form, on the Company's website. The assurance took place in August and September 2020. The Sustainability Report refers to the LTH Castings Group within the scope and limits defined in the GRI Content Index. Although the report is joint for all companies, some disclosures relate only to the parent LTH Castings Slovenia. We considered only the data within the report in our assurance.

Level of assurance and limitations - The assurance process is a comprehensive review of the report regarding compliance with GRI standards and verification of selected data via a standing report, other proposed reference documents and through a stakeholder survey. With the help of a stakeholder survey, the compliance of the responses with the material topics presented in the report were checked. In this way, the principle of materiality and stakeholder involvement was verified. However, the assurance does not cover financial data and information that are supported by existing documents and audits, such as third-party independent audits by auditors and certified standardization bodies and data from the previous sustainability report and financial report. The verification was entirely, due to the Covid-19 virus epidemic situation, conducted via online communication and communication by telephone with the person responsible for reporting in the company.

Responsibility - The leadership of the LTH Castings Group is responsible for the information presented in the report, for collecting, sorting, verifying data and reporting. Ekvilib Institute and its representatives did not participate in the processing and display of data in the report. Representatives of Ekvilib Institute are responsible for independent verification of compliance of the report with the GRI standards and the actual situation and for preparing an opinion on sustainability report.

Independence of the Assurance Provider - Ekvilib Institute is a private non-profit organization, working in the field of social responsibility and sustainability development. On the basis of values, commitments and code of ethics, Ekvilib is aware of their responsibilities and is committed to independence, professionalism, objectivity, confidentiality and integrity. Independence is shown through its successful financial operations and financial and non-financial statements, available in their webpage.

Findings - Ekvilib Institute has verified organization's compliance with the requirements of the reporting standards and principals. The report contains all the General standard disclosures, required for the basic level of reporting. Based on the principles of materiality, stakeholder involvement and integrity, the company reported 12 material topics and 18 specific disclosures in the field of economic (GRI 200), environment (GRI 300) and society (GRI 400). Based on the assessment process, we found that the facts and data stated in the Sustainability Report are credible and reflect the actual state of the LTH Castings' management and sustainability systems. Considering the above identified limitations and the verification methodology, we find that the LTH Castings independent Sustainability Report for 2019 meets the requirements of the GRI Sustainability Reporting Standards, 2016, on a basic level.

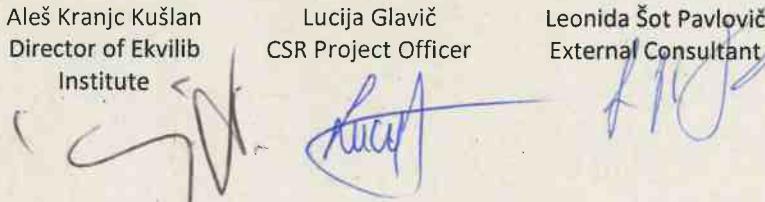
Recommendations - During the verification, we identified opportunities for improving the report and reporting processes, presented in a more detailed assessment report, carefully written by auditors. In this regard, we highlight the opportunity for greater stakeholder involvement and the expansion of reporting to other companies in the group.

Ljubljana, 28th September 2020

Aleš Kranjc Kušlan
Director of Ekvilib
Institute

Lucija Glavič
CSR Project Officer

Leonida Šot Pavlovič
External Consultant


Ekvilib
Institut
Šišenska 89, 1000 Ljubljana



LTH Castings
CASTING THE FUTURE
www.lthcastings.com