

CORPORATE RESPONSIBILITY REPORT

2023 calendar year



carl-composite.eu

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About this Corporate Social Responsibility Report

This is Carl Manufacturing Corporate Social Responsibility Report for year 2023. The report describes Carl Manufacturing's activities regarding our corporate social responsibility and our initiatives to become a more sustainable business.

Corporate Responsibility Report Content

CORPORATE RESPONSIBILITY REPORT	1
2023 calendar year	1
© Copyright 2023 Carl Manufacturing	1
About Carl Manufacturing	3
Letter from the Corporate Administrator	3
Social responsibility principles	4
Carl Manufacturing commitment	4
The UN Global Compact initiative.....	5
Identification of social responsibility including the dialogue with interested parties.....	5
Continual Improvement.....	6
Integration of social responsibilities within Carl Manufacturing the supply chain	6
Top Management roles and responsibilities regarding social responsibility.....	6
Human Rights and work practices	7
Fully adhere to business ethics	7
Protect the employees’ health and safety.....	8
Actual status	8
Environmental protection and sustainable development	9
Consider a full commitment to sustainability and environmental protection	9
Applying fair practices.....	9
Actions regarding consumers	10
Actions regarding sustainable development of local community	10
Vigilance and due diligence activities for 2023.....	11
Potential and actual Human Rights Risks and related measures including effectiveness review	11

About Carl Manufacturing



Carl has an extensive experience in the design and manufacture of high-performance composite components, gained in high standard sectors such as aeronautics, car industry or motorsports.

Carl Manufacturing is production facility located in Pitesti City, Romania. 149 employees were working at the end of 2023 and facility covers 5330 square meters.

Main technology is carbon fiber processing.

Main processes: Cutting, Assembly, Curing, Painting

Letter from the Corporate Administrator

Dear readers,

I am glad to be able to present to you the third edition of the Carl Manufacturing Corporate Social Responsibility Report concerning 2023 achievements and our targets for 2024.

Since the beginning of this company, we focus ourselves align our actions through strategical directions:

- Maintain a strict conduit code

All CARL MANUFACTURING employees will adhere strictly to this code despite their organizational positions, to align with company's mission and vision. The commitment to this code is not negotiable.

- 0 tolerance for bribery

CARL MANUFACTURING does not tolerate any bribery attempt in any circumstance, whether it refers to receiving or offering material benefits.

- Equal treatment for all

CARL MANUFACTURING does not tolerate discrimination of any kind, harassment and intimidation of employees regardless of their position in the organizational chart.

- Protect employees' health and safety

CARL manufacturing is committed to protect employee's health and safety by eliminating all hazard and assure a proper balance between work and free time for all employees.

- Protect the environment

CARL MANUFACTURING is committed to protect the environment by preventing accidental pollution and minimizing the environmental impact of its activities.

These strategical directions are reinforced by the Carl Manufacturing Code of Conduct and Internal regulations documents.

As part of our daily life, we know that we are not a big company but we know that we bear great social and economic responsibility, and do our best every day to support our 40 employees during their daily work and try our best to make a better living for them. We pay special attention to employee health and safety and this includes a decent wage and a working program allowing them to spend at least 2 days per week with their families and friends. Not at last, we are permanent focused to eliminate all hazards starting from the time when our employees leave their homes up to their return.

We also put great emphasis on sustainable procurement by selecting carefully our suppliers and ask them to adhere to the same values.

We consider the need to protect the health of the planet and want to use environmentally friendly materials in operations. In this spirit the challenge will be to use at least 50% of such materials up to the middle of the century by re-engineering the products and processes.

And we mean what we say: as a first step Carl Manufacturing has established an environmental management policy and implements an environmental management system. The system was certified in 2022 according to ISO 14001 standard. In 2023, the surveillance audit took place, and no non-compliance was identified. Certification according to ISO 14001 standard is maintained. Also, on November 15, 2023, following the ISO 45001 certification audit, the system was certified according to this standard.

Our top priority is and will always be employee, customer satisfaction and the minimization of our activities' environmental impact. We are aware that we have to fully be fully committed to UN Global Initiative, sustainability and environmental protection contribute to a better future for us all.

Christophe LOTTIN – CEO Carl Manufacturing and Carl Engineering

Carl Manufacturing, PITESTI, January 10, 2024.

Social responsibility principles

Carl Manufacturing identifies its activities' impact on society, economy and environment. The impact considers all interested parties and their requirements including the legal requirements and the state of justice.

In this regard Carl Manufacturing maintains full transparency on its decisions and actions.

Carl Manufacturing beliefs in these values: honesty, equity, integrity and considers them as the basis for the ethical behavior.

Carl Manufacturing fully adhere to the Declaration of Human Rights and promotes all international

Carl Manufacturing commitment

Carl Manufacturing is aware of the need to promote a sustainable development, protect the people's rights, take into consideration all interested parties' requirements and contribute to a better world initiative therefore considers the need to act in several directions:

- Contribute to the UN Global Compact Initiative
- Assure health and safety
- Protect the environment, assure the environmental performance and sustainability
- Promote ethics and equal treatment for all

The UN Global Compact initiative

The United Nations Global Compact is an international initiative promoting implementation of 10 universally-accepted principles to encourage business social responsibility in the areas of human rights, labor regulations, the environment and the struggle against corruption in companies' negotiations and business strategy.

More, Carl Manufacturing fully adhere to:

- ✓ The Universal Declaration of Human Rights
- ✓ The International Labour Organization's Fundamental Conventions
- ✓ The United Nations Guiding Principles on Business and Human Rights
- ✓ The OECD Guidelines for Multinational Enterprises

Carl manufacturing is fully committed to the UN Global principles and will be official part of the Global Compact initiative in the near future.

Identification of social responsibility including the dialogue with interested parties

Based on the values and social responsibility principles Carl Manufacturing identifies all interested parties and maintain a transparent communication as a basis for the social dialogue in order to ensure ecosystem health, social equity and good organizational management.

In 2023 Carl Manufacturing has review all requirements and interested parties and document this information in List of Interested Parties and their requirements.

ISO 26000 Guidance on social responsibility was choose as a reference standard to identify the relevant responsibilities related to the performance of our organization in relation to society including environmental impact. For specific aspects related to health and safety the ISO 45001 was chosen as a reference standard for the occupational health and safety management system.

Carl Manufacturing defines the power of influence by considering:

- Economic relations based on fair competition
- Property
- Management
- Public opinion by maintaining a dialogue with employees and local community

Considering requirements of all interested parties including risks and opportunities Carl Manufacturing has established main priorities for the social responsibilities:

- ✓ Fully adhere to its values and business ethics

- ✓ Full compliance to Declaration of Human Rights
- ✓ Full compliance to legal requirements
- ✓ Environmental Protection and a sustainable development by minimizing environmental impact including consumption of resources
- ✓ Elimination of all hazards
- ✓ Ensure the technological level and best practices
- ✓ Creation of social responsibility culture and continual employees' development

Carl Manufacturing has established a strategic direction which includes its vision and document it in Code of Conduct. The related processes are included in Carl Manufacturing business processes and documented in related procedures.

As part of deployment of strategical directions Carl Manufacturing has established a process to ensure a transparent communication with all interested parties. As part of continual improvement communication process in 2023 was decided to update Carl Manufacturing web site to includes all elements related to social responsibility. This will allow to report the performance related to social responsibility in a transparent manner by publishing this report on the company web site.

Carl Manufacturing decides to increase the credibility related to social responsibilities by:

- ✓ Certify production process and product according ISO and other standards in relation safety
- ✓ Certify Environmental, Occupational Health and Safety according ISO 14001-ISO 45001 standards
- ✓ Conduct financial audit on a yearly basis by an independent assessor

Carl Manufacturing will publish on the yearly basis a Corporate Social Responsibility report (this document) to include the results of verification for respecting the social responsibilities commitment.

Continual Improvement

As part of continual improvement process Carl Manufacturing has established specific directions to improve social responsibility performance by:

- Continual surveillance of defined processes and activities
- Analysis of trends and performance including the progress towards social responsibility objectives achievement
 - Continual improvement of information and data gathering including ensuring the data corrections
- Protect safety and confidentiality of data

Integration of social responsibilities within Carl Manufacturing the supply chain

Top Management roles and responsibilities regarding social responsibility

Carl Manufacturing has identified specific roles regarding corporate social responsibility according the strategic directions of the company:

- ✓ CEO, accountable for identification and treatment of negative social impacts including a continual vigilance process

In 2023 was updated Code of Conduct and were created specific mechanisms to allow all interested parties to report any deviations from the code of conduct and to report such deviations anonymously.

- ✓ Quality Manager, in charge for process improvement which includes the scrap and waste reduction.

In 2023 were established specific programmes to improve the performance of processes. The scrapped parts (%) were decreased by 10%.

- ✓ Environmental, Health and Safety Management Process Owner
- ✓ Human Resources Manager

The accountable for achieving the strategical directions as were defined by Carl Manufacturing.

The status of Integration of social responsibilities within Carl Manufacturing and the supply chain

Human Rights and work practices

Carl Manufacturing considers the following issues as strategic directions related to human resources: staff retention and personal development and training.

In this direction Carl Manufacturing has developed specific objectives and targets:

- Mitigate the rotation of personnel – 2,5% maxim for Direct Factory Labor and 1% for Indirect Factory Labour
- All employees to be trained – 80% of planned trainings to be conducted

To achieve the objectives related to people and human resources the following actions were considered by Carl Manufacturing administrator:

- fully adhere to business ethics
- protect the employees' health and safety

Actual status:

In Carl Manufacturing there are no employees with the age below 18 years old. Overtime when needed is based on voluntary commitment, the forced labour is not accepted.

Modern slavery is strictly forbidden as defined by International Labour Organization and the Romanian Law – penal code: Chapter XVII, sections 210-217.

Fully adhere to business ethics

Since 2019 Carl Manufacturing was focused on the ethics of the business and encourages all employees and collaborators to take part of this initiative. By maintaining a strong company culture and establishing relationships based on a will to listen, dialogue and mutual respect we want to fully adhere to business ethics and in 2023. For this we will aware all subcontractors and employees regarding how to respect others and themselves based on our core values:

- Integrity
- Respect

- Innovation

..by dialoging and listening.

In this spirit Carl Manufacturing define a compulsory code of conduct (Carl Manufacturing's Code of Conduct) and implement in the Carl Manufacturing and throughout the supply chain. The aim is to have at least 30% of suppliers compliant to this code in 2024.

Carl Manufacturing analysis the risks related to:

- Discrimination
- Fair working conditions
- Child labor
- Hazards and occupational disease
- Sexual harassments, abuses
- Discrimination

The risks level was evaluated and proper preventive actions were established to mitigate the high-level risks.

In 2023 there were not reported any violation of Carl Manufacturing's code of conduct related to bribery, harassment, interests' conflicts and corruption. The checking considers the official channels to rise complains:

- ✓ compliance@carl-composite.eu – email address accessible by top management
- ✓ [online claim form](#) – claim any deviation from code of conduct

Protect the employees' health and safety

Carl Manufacturing was fully compliant to legislation related to health and safety protection and established "0 accidents" target from the beginning. In 2023 Carl Manufacturing wants to pass a critical milestone – to implement and certify according ISO 45001 requirements the Health and Safety management system.

Other facts:

- 0 premium freight shipments in 2023 (target achieved also in 2021 and 2022)
- The total fleet is 2 cars, 0 cars with Diesel propulsion.

More, the Carl Manufacturing intend to promote a good imagine of company for local community and employees by inviting the families for a party on the September 30th, 2023.

Carl Manufacturing conducts Christmas party in each year.

Actual status

Due diligence related activities were performed and the effectiveness is checked as part of Compliance evaluation process. The involved persons periodically review the requirements and plan the actions are planned.

In 2023 the following items were controlled:

- Investments including EU funds according legal requirements
- Perform risk assessment related suppliers and operations
- Include in risks assessment hazards related to specific countries
- Fulfill financial obligations

There was conducted a financial audit S.Eval. Expert SRL Pitesti member of financial auditors – Chamber of Romanian Financial Auditors CECCAR – May 9, 2022 to prove the effectiveness of fulfillment. There were not found any gaps. Also, the same result was obtained after the audit of April 20, 2023.

There were not found any gap between requirements and current procedures and practices.

Environmental protection and sustainable development

Consider a full commitment to sustainability and environmental protection

Carl Manufacturing is fully committed to mitigate all impacts over environment and develops the process in a sustainable way.

Carl Manufacturing creates a framework to manage its' operations in this regard by establishing specific objectives:

- No adverse impacts – 0 pollutions target
- Compliance to applicable laws – 100% target, including proper waste management
- Reduce energy consumption – target maxim 131 kwh per 100 produced parts
- Reduce water consumption with 10% in 2023
- Reduce generated waste up to maximum 7,3 kg per 100 produced parts

The objectives and targets were established to balance the ecological considerations with economical and profitability targets.

Applying fair practices

Carl Manufacturing basis the transactions and relation with other organization including competition on the beliefs stated previously on an ethical behavior including fully transparency.

In this regard Carl Manufacturing has promoted in 2023:

- ✓ Good relation with all interested parties to achieve good results
- ✓ Continuous fight against corruption
- ✓ Loyal competition to promote innovation and the efficiency of manufacturing processes and the resources used
- ✓ Promotion of Carl Manufacturing values and rules regarding social responsibility within supply chain

Actions regarding consumers

Carl Manufacturing is fully committed to respect all customers and end-users agreed requirements regarding the product safety. In this respect there are established multidisciplinary teams which review and control all product-safety related characteristics by establishing prevention and detection controls.

There is a permanent communication process with all customers based on transparency with the final goal to assure for the end users' products which satisfies the following principles:

- ✓ Product safety – protection of customers' personnel and end users

For the projects developed in 2023 Carl Manufacturing has been identified all the product characteristics which may endanger customers' personnel and end users then document the precautions by using specific documents – Product Utilization Advices. There were no received any claims regarding near-misses or hazards when the product was used by customer and end user.

- ✓ Transparent information and a marketing based on an honest information
- ✓ Freedom of choose and association
- ✓ Education and a health environment
- ✓ Fair claims' treatment
- ✓ Protection of customers' personnel private data

Carl Manufacturing has established a C I A (Confidentiality Integrity Availability) directive to classify all data and information (including customer information) and establish proper controls to assure its deployment.

Actions regarding sustainable development of local community

Carl Manufacturing is aware about the impact of activities for the local community and strive to contribute to a continual development of the local community by acting in the following directions:

- Involvement of local community by a transparent communication and organizing a special events like Open Gate Day
- Maintain transparent communication with local authorities and other interested parties
- Promote a continual education and personnel development including access to technology
- Assure prosperity for the local communities by creation of new opportunities for employment and assure a fair wage

In 2023 were hired 54 persons with all educational levels meaning that 30 families have now a good contribution for their monthly wages. In 2023, the trend was an upward one, Carl Manufacturing Team grew, 54 more people being employed.

- Assure health and safety for collaborators, visitors and neighbors

Carl Manufacturing has established an occupational health and safety management system in which all processes and activities are analyzed regarding hazards and risks with the final goal to eliminate all hazards. The certification is scheduled for the fall of 2023.

Vigilance and due diligence activities for 2023

The conformance evaluation to legal and other requirements was performed in 2023, September 5th and no gaps were identified. The process considers all legal aspects regarding business, environment, financial, health and safety, product conformance to requirement.

In 7th of November 2022 a product audit was performed by a certification body SRAC to prove the conformity to requirements. During the surveillance audit on October 4, 2023, there were not found any gaps.

There was conducted a financial audit S.Eval. Expert SRL Pitesti member of financial auditors – Chamber of Romanian Financial Auditors CECCAR – May 9, 2022. There were no found any gaps. Also, the same result was obtained after the audit of April 20, 2023.

In December the URS has certified the environmental management system in December 2022, serial number 9164/120001/UAS/RO. On November 15, 2023, following the ISO 45001 certification audit and the ISO 14001 surveillance audit, Carl Manufacturing obtained ISO 45001 certification (serial number 9208/0002/UAS/RO) and maintained ISO 14001 certification. No any non-conformities were detected.

Management system, process and product are periodically audited in internal.

Potential and actual Human Rights Risks and related measures including effectiveness review

For 2023, during Management Review Carl Manufacturing has identified the following potential and actual risks:

Risk	Classification	Actual measures/ controls	Effectiveness review	2024 Planned Measures
Loose of personal data/ information	High effect (4)x Medium (3) occurrence -> 12 (class C)	None	Periodically operational controls None	Deploy Informational Security Management Elements/ Q4 2024 Quality Specialist
Sexual harassments in workshop	High effect (4)x Medium (1) occurrence -> 4 (class A)	Periodically trainings for code of conduct	No incidents reported	Not applicable
Verbal violence, potential conflicts	High effect (3)x Medium (3) occurrence -> 9 (class B)	Organize specific communication training in 2024 in Q2/ General Manager	-	To be followed in 2024

Risk level legend:

Risk Level (RL)	Class	Decision
≤4	A	The risk is tolerated, no action needed.
≤ 9	B	Preventive actions needed to be established with an average priority (max: 2 weeks)
>9	C	Preventive actions needed to be established with an the highest priority (max: 1 week)

Effectiveness of actual were review during yearly management review.

Improvement future measures were planned for 2023 and reported in Management Review report and in this document as public information.

Potential and Actual Environmental Risks and related measures including effectiveness review

Risks are evaluated according Risks and Opportunities management procedure and Environmental Aspects procedure. The procedures describe the methodology in place.

Risk	Classification	Actual measures/ controls	Effectiveness review	2024 Planned Measures
Exceed electrical energy consumption – impact on consumption of resources	High effect (3)x Medium (3) occurrence -> 9 (class B)	Consumption monitoring	Specific target- to be followed in 2024	Improve the measuring and monitoring method including Environmental Management Program Q1 2024/ Quality Specialist
Assure compliance to regulations – impact on compliance	High effect (3)x Medium (3) occurrence -> 9 (class B)	Yearly or event triggered compliance evaluation	Target-0 penalties monitoring – To be followed in 2024	Perform a supplementary compliance evaluation Q1 2024/ Environmental Responsible

Risk level legend:

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Issued by:

Christophe Lottin, CEO – 10th January 2024