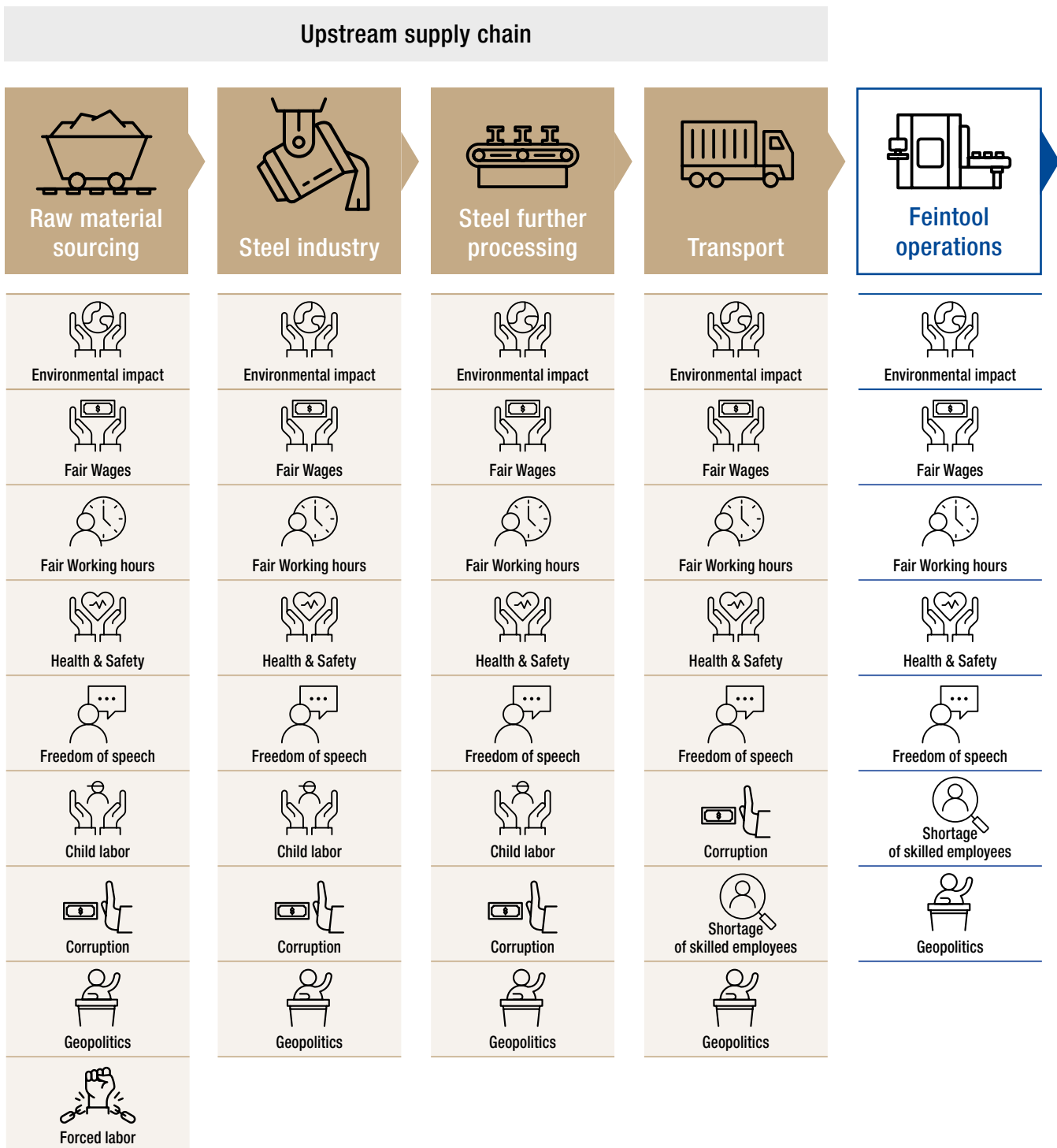


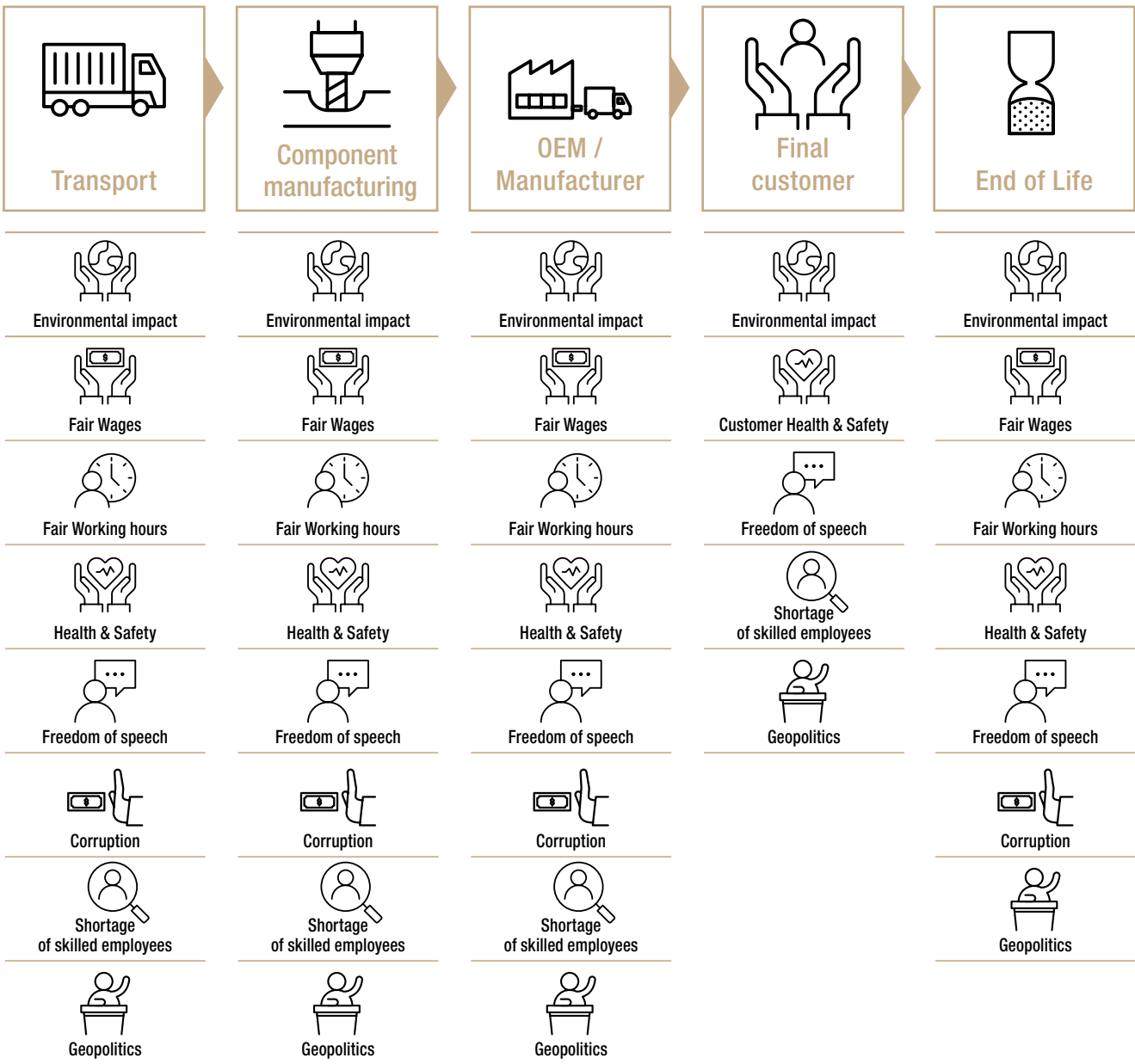
# RISK ANALYSIS

Feintool creates added value for its stakeholders in various ways (see graphic on pp. 4/5). For example, the Group is making a significant contribution to the future of mobility, energy supply, and other industries, as well as creating jobs, enhancing the skills of employees and investing CHF 4 million in research and development in 2022. With tax payments equal to CHF 3.7 million in 2022, the company also contributes to the common good.

At the same time, the Group is aware that its business activities can have negative impacts on supply chains. Since Feintool is a large consumer of steel, the company's upstream and downstream supply chains for this material have been examined for their opportunities and the risks they pose for people and the environment. The results of an initial supply chain analysis are presented schematically here and explained in detail on the following pages.



Downstream supply chain



# FROM MINING TO DISPOSAL

Feintool has traced its upstream supply chains for high-precision sheet metal components through four stages. The process starts with raw material extraction (primarily iron ore and coke), which is followed by steelmaking. Stage three involves processing the raw steel into hot-rolled, cold-rolled, and electrical strips. Finally, the processed material is distributed to Feintool Group plants.

These coils of steel make up 95 percent of Feintool's total material procurement activities. The Group's total material purchasing costs were CHF 469 million in 2022. This was considerably more than the previous year (CHF 272.1 million) due to the acquisition of the Kienle + Spiess Group. Risks and opportunities have been identified within all four stages of the upstream supply chain – and, often, they represent two sides of the same coin. This is to say that what is recognized as a risk can be converted into an opportunity for employees and environmental and climate protection, when managed properly.

All stages in the upstream supply chain involve energy consumption, emissions, the use of additional natural resources, and waste generation. Risks also present themselves in terms of working conditions, corruption, and human rights. Another important aspect is that shipping operations are currently experiencing a shortage of skilled labor. According to an IW Consult study conducted in 2022 for the German Steel Federation, political risks to the steel value chain are greatest in China and Russia. The latter is irrelevant to Feintool, as the company does not source steel from Russia. The Group also does not work with conflict minerals, which is meaningful in terms of protecting human rights.

## International comparison

Feintool generally sources its materials through regional suppliers, and shipping across oceans occurs only in isolated instances. In Europe, steel coils come from suppliers in Germany, Austria, Belgium, and the Netherlands. A small percentage also comes from Italy. Plants in Europe with sheet-stamping operations generally get their steel from within Europe, although some is sourced from China and Turkey.

Plants in the US are supplied exclusively by companies with headquarters or locations within the US. The same applies to the majority of metal supply in China, with some of the region's steel coming from Germany and the Netherlands. In Japan, raw material is generally provided by the customer from local Japanese production operations.





Because a substantial proportion of Feintool's steel comes from Germany, the IW Consult study holds significance for the Group, even if the data pertains only to conditions in Germany. The study also draws on data from international organizations. Table 1 shows the performance of the top 10 countries in terms of the UN Sustainable Development Goals (SDGs) that pertain to the steel industry. Performance data from countries where Feintool suppliers are located (Germany, the US, Japan, China, and Turkey), are highlighted. Feintool has established SDGs 7, 8, 9, and 12 as the Group's priorities. Data in Table 2 focuses on child labor and the observance of labor laws.

Feintool has been respecting the full breadth of environmental and international labor standards as part of its supplier relations strategy for a considerable time now. The new Code of Conduct has been expanded and refined to reflect this commitment. In 2022, the Group also developed a specific Code for suppliers as well as a policy statement concerning the protection of human rights.

<sup>1</sup> Institut der deutschen Wirtschaft Köln Consult GmbH (IW Consult), Wertschöpfungskette Stahl: Nachhaltigkeit im internationalen Vergleich. Studie für die Wirtschaftsvereinigung Stahl, Köln 2022

<sup>2</sup> Ibid., p. 43.

## Sustainability ranking by country

Rank	Country	SDG 8	SDG 12	SDG 13	SDG 16
					
1	Germany	1	1	2	1
2	Japan	2	3	1	2
3	USA	3	5	3	3
4	Korea	4	2	4	4
5	Brazil	6	4	6	7
6	China	7	6	7	6
7	Turkey	8	7	5	8
8	Russia	5	9	8	9
9	India	9	8	9	5

Rankings by individual SDG pertaining to the steel value chain

Sources: OECD (2019), UN (2020), World Bank (2021), Transparency International (2021), IEA (2021), Yale Center for Environmental Law & Policy, IW Consult statistics (2022)

Feintool is evaluated within the framework of the globally recognized SAQ (Sustainability Assessment Questionnaire) for the automotive industry. The SAQ aligns itself with the industry's international guidelines, with the goal of improving sustainability in the supply chain. Issues included in the evaluation are human rights, ecology, health and safety, business ethics, compliance, and responsible supplier management. Furthermore, Feintool has been upholding the industry's high standards in quality and process management for many years through the IATF 16949 industry standard.

Steel manufacturing and processing turn simple commodities into high-quality, specialized industrial goods for a variety of sectors. Feintool has focused on automotive applications in the analysis of the downstream supply chain of manufactured steel components (see p. 11). Five stages leading up to the end of the life cycle of a vehicle were identified as part of this. The same risks and opportunities from the upstream supply chain apply across all five stages. The Group will deepen its risk analysis in 2023.

## Sustainability risk related to working conditions

Rank	Country	Child labor	Compliance with labor rights <sup>3)</sup>
1	Germany	1,1 %	0,74
2	Japan	3,2 %	1,43
3	USA	0,8 %	2,70
4	Korea	3,3 %	1,77
5	Russia	4,6 %	1,69
6	Brazil	3,5 %	2,91
7	China	3,1 %	4,94
8	Turkey	4,5 %	4,60
9	India	4,8 %	4,61

Country ranking based on the entire steel value chain

Sources: ICIO (2019), UN (2021), IW Consult statistics (2022)

<sup>3)</sup> Labor Rights Index of the ILO (International Labor Organization).  
ICIO stands for OECD Inter-Country Input-Output (ICIO).