

Non-Financial Statement Sustainability Report 2020



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PUNCH Powerglide Strasbourg (PPS) was founded in 1967 and specialises in the design and manufacture of automatic transmissions and parts for automotive manufacturers and OEMs. It includes a Development Division, a Corporate Services Division, a Sales/Marketing Division and an Industrial Division with a die-cast aluminium plant.

A word from the President



CSR (Corporate Social Responsibility) is becoming an integral part of PUNCH Powerglide Strasbourg's long-term strategy and business model.

The inclusion of societal, social and environmental challenges is a key criterion in defining our policy and action plans

This is already reflected in our values and in our actions, in particular in the development and manufacture of products to support "green" mobility based on electric and hydrogen vehicles.

This report is a first formal step in CSR assessment but it also defines an action plan with the aim of achieving CSR certification.

Vision

PPS is committed to being a benchmark supplier in the development, integration and manufacture of competitive transmission and powertrain solutions.

Hence, pushing for the implementation of this vision is what PPS seeks to achieve by:

- Being recognised as a strategic partner by its customers in the manufacture of transmissions and parts
- Designing and mass-producing innovative transmission solutions.

PPS is equally convinced that this mission can only be achieved through the involvement and dedication of its employees who are the core assets of the company!



340

Million Euros in Sales

756

Employees on average

100

Engineers & technicians

PPS 2020

350

Million euros invested in R&D and industrial equipment over the last 7 years

910 000

m2 of floor space: factory, foundry, logistics, production

1.6%

Of the payroll invested in training

PPS has built a state-of-the-art product portfolio in a digital factory.

AT RWD-AWD



ZF products
Contract manufacturing



Electric vehicle transmissions
under development

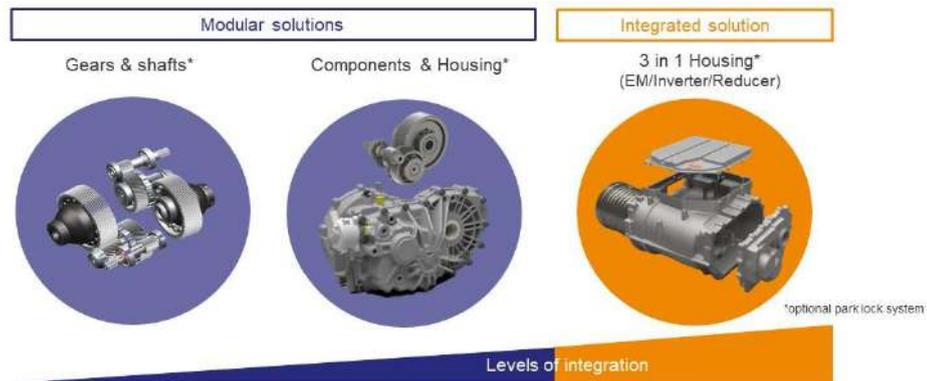


Transmission parts



Planetary carriers, Ring gears, Output shafts, Input shafts, cover pumps, Cases

... but also a forward-looking company!



Serving a broad client base worldwide

PUNCH Powerglide develops, produces and delivers ATs to OEMs all around the world



CSR risk and opportunity analysis:

This year, PPS wishes to highlight all these CSR actions already implemented by writing this report, and by summarising the key challenges. In order to select those challenges that are tangible to PPS, i.e. which have a significant impact on the company, its activities, its financial and non-financial performance, a list of 24 challenges was submitted to a panel of suppliers, stakeholders, customers and reviewed by the management committee.

Eleven challenges stood out: five on the environment, three on social-related matters, two on the product and one on the supply chain.

CSR CHALLENGES		Key Performance Indicators
Environment	CO ₂ and GHG emissions	Monitoring of tons of CO ₂ scope 1 and 2 per equivalent unit
	Energy management	Electrical energy consumption per equivalent unit produced
	Waste management	Material recycling rate
	Environmental compliance/certification	ISO14001 certification
	Water and wastewater management	* Water consumption per equivalent unit produced * Chemical consumption per equivalent unit
Social	Employee health and safety	* Frequency rate * Severity rate
	Social Relations & Communication	* Number of social dialogue meetings held * Number of negotiated agreements that
	Skills management	* Training budget contribution (versus legal target of 1%) * % of planned training hours delivered * Number of training hours per employee
Product	The environmental impact of product use	* Fuel consumption reduction of a product in the NEDC (<i>New European Driving Cycle</i>) and WLTP (<i>World harmonised Light vehicle Test Procedure</i>) cycles and in RWDE (<i>Real Driving Emission</i>) conditions * Product recycling rate
	Product quality and safety	* Factory non-quality costs [in k€]. * Number of parts rejected by customers [in ppm (parts per million)] * response time to customers (RFI/RFQ)
Supply chain	Supply chain management	* % of suppliers with a satisfactory CSR level * % of suppliers who have signed the PPS code of conduct

ENVIRONMENTAL SECTION

Ever since its creation, PUNCH Powerglide Strasbourg (PPS) has been growing steadily, striving to be a "socially responsible company" committed to its environment and the community. The development of its global offering, combined with that of its customer portfolio, forms its main growth strategy.

This commitment is supported by a corporate culture that places social and environmental values at the heart of its activities. Safeguarding the environment is an ongoing concern.

Challenge 1: CO₂ and GHG emissions

CHALLENGE

The increase in greenhouse gas (GHG) emissions, including CO₂, is a global challenge of our time. PPS is a stakeholder aware of its responsibilities and wishes to limit its impact on the climate as much as possible.

CO₂ emissions cannot be controlled without first carrying out a Greenhouse Gas Emissions Assessment: a diagnostic tool to evaluate the sources of emissions and identify the major ones.

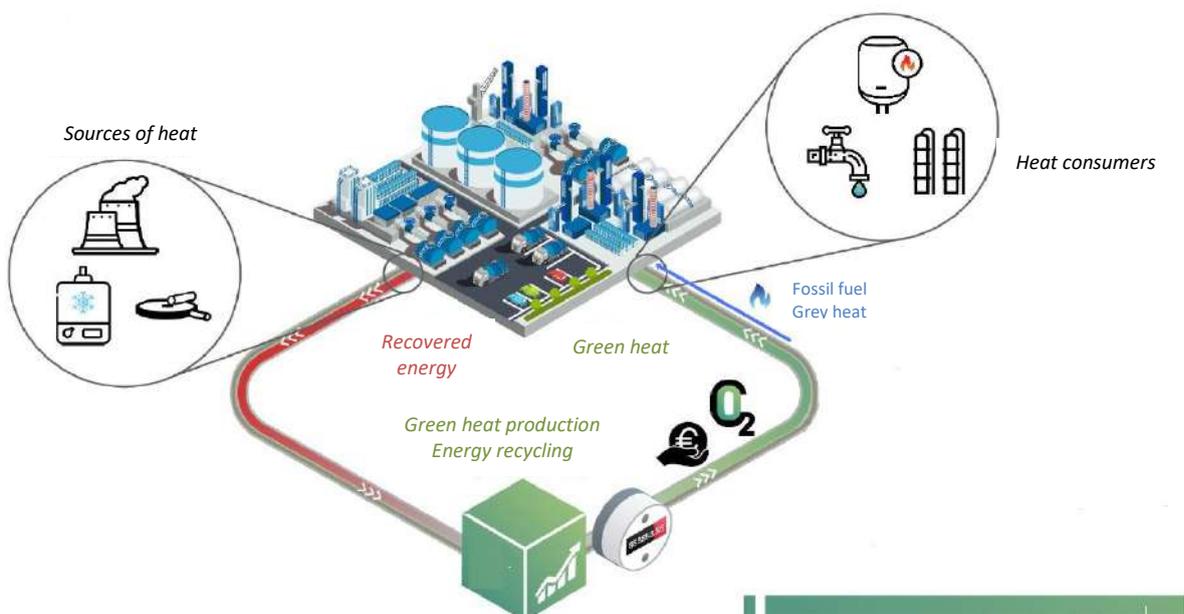
At PPS, the main direct CO₂ emissions are linked to the boiler room (natural gas), the heat treatment furnaces (natural gas) and the test benches in the technical centre (petrol and diesel).

POLICY

PPS is focusing on 3 main areas:

OBJECTIVES

- * the use of steam from the city of Strasbourg to heat the buildings instead of gas
- * improving the energy efficiency of the buildings
- * the use of recovered energy (see diagram below) from processes to heat buildings directly (this would result in decarbonising 30% of the PPS consumption).



In 2020 PPS invested in improving the efficiency of its buildings by insulating 53 singular points on the internal heating network and installing air destratifiers (a system ensuring homogenisation of the air in the workshops). This has resulted in savings in heating and therefore CO₂ emissions over 38% of the surface area of the site's buildings.

PPS is also involved in other indirect decarbonising initiatives: for example, the introduction of 10 bus routes for employee transport reduces the use of private cars. Similarly, the on-time delivery of parts for 100% of deliveries saves CO₂, in particular through better logistics management by reducing half-empty transport.

In April 2021, PPS decided to fully offset the CO₂ emissions from the transport of its waste by supporting a reforestation project in Peru initiated by the association Pur Projet and SCHROLL.

ACTIONS & RESULTS



PPS commits to (e) CO₂, an innovative approach!

e(CO₂) is a programme aimed at offsetting the carbon emissions linked to the transport of waste entrusted to Schroll, now offering it to all its customers.

By joining this programme at the beginning of April, PPS fully offsets the CO₂ emissions linked to the transport of its waste by supporting a reforestation project in Peru initiated by the association Pur Projet and SCHROLL.

This scheme makes it possible to set up environmental, economic and social projects that protect biodiversity and ensure a sustainable income for the forest populations involved.



Key Perf Indicator

Monitoring of tons of CO₂ scope 1 and 2 per equivalent unit 17 kgCO₂/EU in 2020.

Challenge 2: Energy management

CHALLENGE It is essential for PPS to control energy consumption in order to protect the environment for future generations, natural resources and reduce environmental pollution.

PPS sets annual environmental objectives based on the analysis of the company's environmental performance (Pareto consumption of electricity, gas, chemicals, water, waste generation and emissions).

POLICY

This is why numerous actions have been implemented to reduce both electricity and natural gas consumption (monitoring of consumption per sector, factory objective during weekends. energy saving awareness. internal audit. etc.)

OBJECTIVE PPS has set itself a maximum consumption of electrical energy per equivalent unit

In 2020 the PPS site invested in several projects to reduce its energy consumption: the replacement of traditional lighting or discharge lamps with high-performance LED lighting over 6,200 m², in addition to the 20,000 m² already installed in its new buildings and in some existing buildings.

ACTIONS & RESULTS

The production sector, a major consumer of energy, switches off process-related equipment as soon as it is no longer in use (e.g. at night, also at weekends).

⇒ A weekly report is used to measure the achievement of the objective.

In its aluminium foundry, PPS has invested in a new holding furnace ceramic head and submerged resistors on one of its injection presses, saving 35,000 kWh of electricity per year.

PPS energy consumption (Mwh/EU)

Key Perf Indicator

	2020	2021
Objective	0,148	0,135
Actual	0,131 😊	

Challenge 3: Waste management

CHALLENGE

Waste is a major challenge in our industrialised societies and must be limited to the strict minimum and be treated in the best conditions for recycling or disposal in order to reduce the impact on the environment as much as possible.

PPS has received ISO 14001 certification and is committed to continuous improvement in the protection of the environment by implementing a series of actions to limit the impact of its activities and in particular to prevent any pollution that may be generated by waste.

Communicating environmental objectives to employees and stakeholders, deploying lean management or the 3PS programme ensures quality production while reducing the amount of waste generated.

PPS has also chosen to join the CLES (Coopérations Locales et Environnementales en Synergies) industrial synergy programme at the Autonomous Port of Strasbourg in order to ensure the efficient recovery of its waste.

POLICY

OBJECTIVE

The objective of PPS is to recycle/recover more than 90% of the waste generated on the site each year.

PPS uses mostly reusable and multi-use containers that substantially reduce waste such as pallets and cardboard.

Internal sorting is an integral part the company culture. Identified skips dedicated to each type of waste are provided throughout the site and smaller containers are placed at the source of generation on the production lines.

As part of the local CLES programme, PPS promotes the circular economy and recycles its cardboard/paper, collects and then repairs its pallets for new life cycles.

ACTIONS & RESULTS

Review and key figures since the signing of the charter



- **9 companies** have signed up to the charter
- **over 3500 tons** of waste recovered locally, i.e. 99% of the total
- **- 60 tons** of CO₂eq emissions per year
- nearly **16,000 E/year** in overall savings

PPS 2020 contribution

- 104 tons of cardboard recovered
- 3 tons of CO₂

THE ENVIRONMENT

New waste management service provider

PPS has signed a partnership with a new service provider to manage its waste: paper, cardboard and plastic. Located in the Autonomous Port, it is involved, like us, in the "CLES" (Coopérations Locales et Environnementales en Synergies) industrial ecology approach, which facilitates synergies between companies in the Strasbourg port area.

The proximity of the area means that a short circuit has been created. This enables us to reduce CO₂ emissions linked to the transport of our waste and to recycle paper and cardboard waste.

Areas for improvement :

- 100 tons of cardboard recycled at BLUE PAPER, 6 kilometres from our site, by separating recoverable cardboard from plasticised cardboard.
- 70 tons of separated flexible and rigid plastics are returned to recycling channels. This service was no longer available through the previous service provider.

Key Perf Indicator

Material recycling rate: **83% in 2020**

Definition: Material recycling is the reuse of a waste product as a raw material. For example, machining swarf is returned to the foundry to be recast into new material.

Challenge 4: Environmental compliance/certification

CHALLENGE

ISO 14001 is an internationally recognised environmental standard that enables PPS to implement an environmental management system (EMS) in line with the organisation's challenges. This EMS enables us to limit the impact of activities on the environment and, more generally, to improve environmental performance.

PPS strives to constantly comply with the French and European legislation and regulations applicable to the company due to its ICPE (facilities classified for environmental protection) classification, while also taking into account those of the other parties involved.

PPS is also committed to maintaining its ISO14001 certification to ensure the proper environmental management of the site.

OBJECTIVE

The PPS objective is to maintain its ISO14001 certification

The ISO 14001 environmental management system helps PPS to control its spending and reduce its costs by setting objectives for reducing energy and water consumption and waste production.

The ISO 14001 standard requires the implementation of a regulatory watch thereby making it possible to identify the requirements, as well as the level of compliance. This also allows us to anticipate certain regulatory changes (for example, a tightening of the limit values for discharges) and thus to develop the process accordingly with a longer lead time.

Key Perf Indicator

ISO 14001 certification first obtained in 2001 and last updated on 22/03/2021

POLICY

ACTIONS & RESULTS

Challenge 5: Water and wastewater management

CHALLENGE

As water is an essential resource for life, the availability and quality of water are two major priorities for the planet. Thus, PPS pays particular attention to the management of the water used in the many manufacturing processes on its site as well as to the consumption by its employees.

PPS sets annual environmental objectives, with the aim of preserving the natural resources and reducing its environmental impact, based on the company's environmental analysis (electricity-gas-chemicals-water/waste generation/various emissions)

POLICY

OBJECTIVES

In response to this, PPS has set itself two main objectives:

- * Maximum water consumption per equivalent unit produced of 13.5 m3/EU
- * Maximum chemical consumption per equivalent unit produced of 0.74 L/EU

PPS focuses on these challenges by implementing operational measures to monitor and reduce consumption. In 15 years, PPS has reduced its industrial water consumption by 25% (adaptation of equipment set points, consumption level alarms).

ACTIONS & RESULTS

The reduction in the number or quantity of chemicals helps to reduce the wastewater load and thus the need for wastewater treatment. This has resulted in a 38% reduction in consumption in 2020 compared to 2010.

Key Perf Indicators

PPS chemical consumption (m3/EU)

	2020	2021
Objective	0,8	0,74
Actual	0,74 	

PPS water consumption (m3/EU)

	2020	2021
Objective	14,5	13,5
Actual	13,01 	

SOCIAL SECTION

Over the decades, the company has adapted to technological developments and market demands without losing sight of the objective of satisfying its customers and helping its employees to thrive in a healthy and safe working environment.

Social dialogue is always present at every stage of PPS's development or in mastering the risks it faces. A sustainable success is one shared with all its stakeholders with the common goal of performance. PPS has an average of 756 employees in 2020.

Challenge 6: Employee health and safety

CHALLENGE Occupational health and safety are fundamental components of any responsible business approach.

Occupational Health and Safety is the number one requirement for PPS. It is based on two major objectives: to ensure the protection of the health of its employees and contractors and to improve their safety in the workplace.

* To provide healthy and safe working conditions so as to prevent work-related accidents and illnesses, including the transition to ISO 45001 Occupational Health and Safety certification.

* To ensure understanding of the actions taken to improve health and safety behaviour and environmental protection by communicating the Safety and Environmental objectives to employees and stakeholders

POLICY

OBJECTIVES

- * 4.5 accident frequency rate per year (number of accidents per 1,000 ,000 hours worked)
- * 0.25 severity rate (number of days of sick leave per 1,000 hours worked)

ACTIONS & RESULTS

- *Prevention and training*

Safety instructions

PPS trains all its employees in Safety. This training, in the form of a video, is broken down into practical and theoretical modules with the aim of explaining the prevention tools and communicating the safety instructions. The objective is to transmit the company's **know-how** so that each employee can assess the risks at his or her workstation using the appropriate protective equipment available. Reminders of safety instructions are regularly issued via the connected production workstations. Employees answer 4 questions on their screens related to the specific safety of their workstation.

Shared vigilance for risk reduction

To make the company's **Safety culture** an integral part of prevention, the focus is on **shared vigilance**: everyone is responsible for their own safety, but also for that of their colleagues. Everyone's behaviour is key to the company's prevention approach. Methods and tools are used by employees to detect risky situations on a daily basis.

Personal protective equipment within the company also contributes to the prevention of accidents at work. Safety shoes are compulsory in the factory, the internal rules impose gloves to be worn when handling metal parts, safety glasses to protect against splashes and hard hats for certain maintenance operations. Moulded earplugs are also mandatory in areas with high noise levels.

The two annual **safety campaigns** targeting all employees use a game-type approach to promote Prevention in a different way. An **Escape Game** has been created since 2017 based on the general principles of Prevention. A **Safety Code** has also been introduced to assess employee knowledge and add a notion of fun with a competition disclosing the results as the quiz progresses. Each employee evaluates his or her level of understanding of the various safety topics covered.

Since 2015, PPS has entered projects to improve safety and working conditions in the **CARSAT safety competition**. Each project came about as a **result of teamwork** to improve a workstation, create new ergonomic work tools or develop the Safety Culture. The company won the **Grand Prix de la Prévention** in the "Prevention Actions" category in 2017.

Safety-related training spending is significant, with a 100% completion rate for the programme presented the previous year.

- **Ergonomics**

The occupational illnesses reported within the company are mainly due to musculoskeletal disorders (MSDs). In order to avoid these situations, steps have been taken for many years to ensure that the arduousness of workstations is taken into account and remedied as best as possible.

Thus, the analysis of the workload and the ergonomic constraints of workstations are studied within an **Ergonomics Committee** led by the Methods teams with the active participation of the Production, Maintenance, Occupational Health and Safety departments and the staff representative bodies. This committee fosters constructive dialogue with a view to finding joint improvement solutions for the design of a new workstation or the upgrading of an existing one.

Continuous improvement of workstations remains a key part of the company's strategy. All workstations are rated by means of **ergonomic assessments**, RULA (Rapid Upper Limb Assessment) and NPW (New Production Worksheet). A **TOP 10** hierarchy of workstations to be improved is established and each year significant improvements are made to **reduce physical and physiological stress**.

The deployment of autonomous and collaborative equipment has accelerated in recent years.

- **automated guided vehicle** (AGV) in 2017, the company has since purchased more than ten vehicles. These vehicles transfer parts between the production lines and also unload transmissions from the assembly lines to the logistics department. The gain in productivity is combined with the **control of risks** linked to traffic in the workshops and the carrying of loads.
- **robotics** (collaborative robots) help to reduce the handling of heavy parts or prevent the generation of MSDs (musculoskeletal disorders). **Six collaborative robots** are currently in operation in addition to the company's hundred or so robots and handling gantries. Robotics involve combining the capabilities of a robot (strength, precision, repetition) with the specific skills of a human being (know-how, analysis, decision-making) in real time. The operator and the robotic system interact live or remotely with a common goal. Tasks that are tedious, difficult or in which humans have little added value are transferred to the machine.

- **Muscle awareness**

As part of an approach to preventing the risks associated with MSDs and improving the **Quality of Life at Work**, employees are offered the opportunity to take part in regular muscle awareness sessions. These sessions are carried out near workstations by internal liaisons trained by professionals in **adapted physical activity**.

Employees meet to warm up and wake up their bodies by exercising their muscles, joints and cardiocirculatory system. Finally, just like when doing sport, the warm-up allows them to get prepared, optimise their resources and reduce the risk of injury.

Organising these sessions in a friendly environment creates a better working atmosphere and improves cohesion between employees. It creates a space for interaction conducive to team work and a sense of belonging; conditions that are essential for quality work and the prevention of accidents at work.

- **Occupational Health**

In addition to an **autonomous Occupational Health** department providing employees with an occupational doctor and a nurse, the company has a team of security guards present 7 days a week and 24 hours a day.

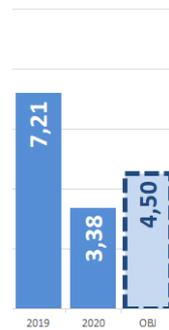
15% of the PPS **workforce** is also a **First Aider** able to implement immediate emergency measures in the event of an accident. These employees are the key players in risk prevention. Indeed, First Aiders also fulfil a preventive role by raising awareness of possible dangers and identifying potential risks.

Key Perf Indicators

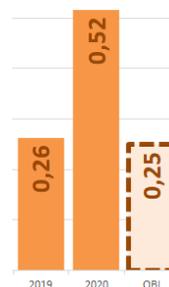
Changes in the rate of accidents at work make it possible to measure the effectiveness of the actions conducted.

Each accident gives rise to a detailed analysis of its circumstances, with a study of the root cause and the corrective actions to be taken to prevent the situation from recurring. Information is then communicated to the whole company.

* **Frequency rate** is the number of accidents with more than one day's sick leave occurring in a 12-month period per million hours worked,



* **Severity rate** is the number of days lost due to accidents at work per 1,000 hours worked.



Challenge 7: Social Relations & Communication

CHALLENGE The structures and processes of constructive social dialogue have the potential to resolve important economic and social challenges, promote good governance, foster peace and social stability and stimulate the economy.

The main objective of social dialogue for PPS is to encourage building a consensus among the main stakeholders in the company.

PPS firmly believes that transparency and diversity of views are the vectors of successful social dialogue. PPS deems that the quality of social relations is the result of an open exchange between the different stakeholders, i.e. the employees, the managers and the staff representative institutions. Internal communication is an essential part of the company's efficiency.

POLICY

For several years, PPS has been actively involved in promoting dialogue and improving the quality of life at work through a systemic approach at all levels: work organisation, team and individual autonomy, acquisition and transmission of skills, equal treatment, prevention of discrimination and promotion of equal opportunities, recognition, the role of management, working relations, change management, work-

OBJECTIVE 100% of negotiations result in a collective agreement each year

ACTIONS & RESULTS

Social dialogue takes many forms, both formal and informal. Informally, the opportunities for communication between managers and team members, as long as they do not only concern the passing on of instructions or are not reduced to simple reporting, are part of social dialogue. For example, PPS organises weekly general information meetings with employees and a member of the management. This is an opportunity to discuss all the latest news about the company or a specific sector and to address the respective expectations of each party as well as the means likely to satisfy them.

Every month, the management also organises meetings with its managers to communicate on the company's main vital indicators. This also represents an opportunity to communicate on priority projects, current sales initiatives with customers, as well as the company's developments and prospects, and to answer employees' questions. This information is then passed on in a meeting between the managers and their team to ensure continuity of information.

Employees' requests go through various channels: the hierarchy; elected staff representatives; directly from employees; representative trade unions.

PPS is eager to meet the expectations of employees on issues such as remuneration, working hours, working conditions, job security and career development opportunities. Employee dissatisfaction or disengagement could be measured by a high level of absenteeism, which is not the case at PPS where the absenteeism rate is 3.4%, significantly lower than the national rate in the metallurgy branch (the absenteeism rate, all reasons and all categories included in the metallurgy branch was 5.3% for 2018. As a reminder, it was 5.6% in June 2017 and 5.4% in June 2012).

Other indicators of social dialogue include the number of collective agreements signed with employee representatives, the number of meetings of the Social and Economic Committee (CSE) and the Health, Safety and Working Conditions Committee (CSSCT), and the number of collective agreements specific to a wage policy that is jointly developed and indexed to the performance of the company and its employees.

These indicators are all factors that tangibly define the quality of the company's social climate.

- **Collective company agreements**

PPS pays particular attention to its social relations with the aim of achieving a balance between the interests of its employees and the economic context in which the company operates.

Since the company was taken over by the PPS Group in 2013, 100% of the negotiations have resulted in the signing of 40 collective company agreements. PPS has succeeded in developing an active policy of consultation and negotiation towards the conclusion of agreements in various areas where the support of the staff is proof of the success of the implementation of its projects.

The various agreements signed with the social partners concerned remuneration policy, profit-sharing, the payment of an exceptional purchasing power bonus known as the "Macron bonus", gender equality, quality of life at work, the implementation of a savings plan for retirement, forward-looking management of jobs and skills and the introduction of teleworking.

Recognising the need for an organisation that gives the company visibility and enables it to absorb both decreases and increases in workload in the short term, an agreement on the organisation of working hours was signed at the beginning of 2021. The future competitiveness of PPS is dependent on the adaptation of its work organisation.

Signing collective agreements is also a key channel of communication for discussing changes in working conditions within the company.

- **Meetings with staff representatives**

Social dialogue is always present at every stage of PPS's development or in mastering the risks it faces. For PPS, sustainable success is a success shared.

Numerous formal exchanges are organised by PPS management. Each year, between 20 and 30 meetings with the Economic and Social Committee are organised, as well as 6 meetings with the Health, Safety and Working Conditions Committee (formerly the CHSCT). Other committees also participate in the social dialogue, such as those related to vocational training, housing, the company restaurant and gender equality.

PPS has also established other specific committees to work with employee representatives on particular issues, such as the committee dedicated to Psychosocial Risks.

For several years, PPS has also provided special subsidies to the CSE for its social work to promote their activities among employees.

This interaction is essential for the company's continued development. Since social harmony is a key factor for success, PPS is committed to maintaining high quality social dialogue and to ensuring that employees adhere to its strategic plan.

- **Internal Communication**

Exchanging information helps to maintain the link between all members of a company and is a means of establishing a pleasant social climate. PPS supports the use of appropriate information as well as appropriate means of communication.

Information sharing is handled in particular by the company's communication department, which transmits information on a daily basis. Employees can also log on to the company's website and access the various dematerialised tools available, such as the interactive computer terminals available within the company or the digital screens in all sectors of the factory.

Information sharing takes place at several levels. On the one hand, it is a matter of allowing communication "downwards", i.e. communication between the line manager and his or her employees. On the other hand, "upward" communication, i.e. the transmission of information from employees to management, must be encouraged. Finally, so-called "horizontal" communication, i.e. communication between teams, should take place in a favourable climate.

In order to encourage employees to express their views on their working conditions, they are invited to make at least two suggestions per year on various topics such as safety, the environment, quality and other subjects.

In addition, PPS supports the right to direct and collective expression of its teams and reminds them

that the annual performance evaluation interview is an opportunity for staff to discuss their working conditions. With this in mind, each employee has the opportunity to fill in the "Employee Expression" form to express their views on the quality of life at work.

Daily dialogue between the parties is instrumental to the personal and professional development of employees and helps to foresee complex situations.

Key Perf Indicator

*Number of negotiated agreements that have been signed: **100% in 2020**

2020 - Internal communication plan

Written media	For whom?	Objective	Frequency	Methods
PUNCH Info (double-sided newsletter)	All employees	Information/news on company life	Weekly	Email Display Hard copies Digital screens
Internal newsletter "Transmissions"	All employees	Inform employees with more elaborate articles on the life of the company, strategy, projects, successes, events, involvement and highlighting/recognition of employees, a job, etc. Giving meaning to the decisions taken by the company	Bi-annual	Paper print-out Intranet
Video message from the Chairman	All employees	Announcement of an event, new activity, volumes, etc. Keep the company/employee link during the lock-down	Occasional	SMS campaign Display
PUNCH Bienvenue	All employees	Announce the welcome of a new employee	If recruited	E-mail Display Hard copies
Organisational change	All employees	Announce reorganisation within a job, promotion	Occasional	E-mail Display Hard copies
PUNCH Emploi	All employees	Internal job offers	Occasional	E-mail Display Hard copies
Notes/Communication	All employees	Important information to be distributed quickly	Regular	E-mail Display Hard copies SMS LinkedIn Website
SEC minutes	All employees	Responses according to the agenda	Monthly	E-mail Display
Q&A	All employees	Answers to the most frequently asked questions by employees	Occasional	E-mail Display Hard copies
Display	All employees	Information about a specific event	Occasional	E-mail Display Digital screens
Safety Flash	All employees	Safety information, advice, prevention	Regular	E-mail Display Hard copies
Environment info	All employees	News, performance, innovations concerning the environment	According to current events	E-mail Display Hard copies Digital screens
Automotive market press review	All employees	Information on automotive market news	Monthly	Announced in PUNCH Info Display Hard copies
Press review	Management	Automotive market news of the week	Weekly	E-mail
Visitor brochure	Visitors	Company presentation	Twice a year	Hard copies
Guides and manuals	External companies	Welcome guide, Your internship, safety protocol, etc.	Twice a year	Hard copies and

	New employees Trainees All employees	Training guide, Covid-19 information guide, etc.	Occasional	digital doc
Quality of life at work events	All employees	Announcement of quality of life at work events: e.g. one millionth transmission, muscle awareness, awarding of certificates, vehicle shows, team building, etc.)	According to event	E-mail Digital screens Display Hard copies

Meetings	Target	Objective	Frequency	
Presentation of the Master Plan	All employees	Presentation of the company's strategic objectives and results for year N+1 and 5-year vision	Once a year	A leaflet containing the main information is distributed after the presentation
Managers' meetings	Managers	Presentation of the evolution of the company's key indicators/Scorecard Financial results - Progress of the year's projects - Answers to questions	Once a month	Minutes are distributed at the end of the meeting to feed the information to the teams
Discussion sessions facilitated by a member of the management team	All employees (10 per week)	Presentation of the Scorecard + answers to questions of employees present	Once a week	A Q&A answering the most frequently asked questions is distributed from time to time if there are recurring questions

Challenge 8: Skills management

CHALLENGE Anticipate skills development needs to strengthen the ability to adapt in line with the strategy and foreseeable economic, demographic and technological changes.

In view of the current challenges facing the company, particularly in terms of innovation, globalisation and operational excellency, human capital is one of PPS's main assets in order to respond to increasingly strong global competition and a constantly changing economic environment. In order to meet these requirements, a system of forward-looking management of jobs, skills and support measures has been put in place and the major 3-year guidelines for vocational training and the objectives of the training plan have been defined

POLICY

OBJECTIVES

- * 100% of the hours of the training plan completed each year (7,867 h in 2020)
- * number of hours of training per employee

ACTIONS & RESULTS

PPS focuses on the management and furthering of its employees' skills by way of a sound training plan. The company recruits and develops its managers and professionals in order to bolster their performance and skills by offering them attractive career paths.

- *Vocational Training*

Training and related investments contribute to developing the key skills needed to achieve the objectives set. These objectives are based on the PUNCH Growth Master Plan and aim to meet the need for qualified and versatile staff to ensure sustainability and growth to the business.

The changes in jobs and technologies and the consequences that may result therefrom are all factors to which vocational training can respond in order to maintain and develop the skills of PSS. Indeed, training is the major tool for ensuring a better match between the company's business needs, job retention and the adaptation of employees' skills.

Therefore, the company undertakes to allow everyone, wherever they work, regardless of their age or position, to have access throughout their career to the training necessary for the proper performance of their job, to any adaptations and to the development of their employability.

The company also pledges to maintain a significant level of training relating to the maintenance and development of employment or to the development of skills in the training plan in order to keep it forward-looking.

The training policy thus reflects the general orientations of the company which are linked to the strategic priorities set out in its Master Plan, in other words, the company's strategic policy constitutes a prerequisite for the training plan.

Between 1.6% and 2% of the payroll is dedicated each year to vocational training, including training leading to qualifications.

• **Expertise**

At the same time, PPS has also developed specific skills through its expertise. The company recognises and values performance in technique and technology. This also allows it to strengthen its business skills.

Consequently, 8 areas of expertise have been identified as strategic for the company's development, creating value for the customer or giving a competitive edge. The roles and responsibilities of these experts have been defined as follows:

- Defines standards and specifications in its field
- Is autonomous in the acquisition of knowledge
- Carries out compliance monitoring of the field
- Provides expertise on the technical part of the projects
- Steers the decision-making - Best technical and economic choice for the company
- Responsible for solving problems
- Develops a network and represents the company externally

The list of candidates is established by the Human Resources Division and the job concerned. The selection process takes into account both human qualities and technical skills.

Key Per Indicators

- * Training budget contribution (versus legal target of 1%): **1.6% in 2020**
- * % of hours of the training plan completed: **100% in 2020**
- * Number of training hours per employee: **10.4 in 2020**

Percentage of the payroll spent on continuing education (K€)

	2019	2020
%	1,60% 😊	1,60% 😊
Total	555 K€	415 K€

Number of trainees

		Eng & Exc	Tech. Superv.	Employees	Skilled workers	Unskilled operators	TOTAL
MEN	2019	286	220	9	1382	0	1897
	2020	207	143	11	861	0	1222
WOMEN	2019	44	32	5	123	0	204
	2020	21	13	4	61	0	99

Number of hours of paid internships

	Eng & Exc	Tech. Superv.	Employees	Skilled workers	Unskilled operators	TOTAL
2019	2 855	1 754	25	5 837	-	10 471
2020	916	770	4	6 178	-	7 867

Number of hours of training initiatives

	2019	2020
MEN	9627	7240
WOMEN	844	627

PRODUCT SECTION

Challenge 9: The environmental impact of product use

CHALLENGE **The Paris Agreement** is a legally binding international treaty on climate change. It was adopted by 196 countries at the COP 21 in Paris on 12 December 2015 and entered into force on 4 November 2016. Its objective is to **limit global warming** to well below 2°C, preferably 1.5°C, compared to pre-industrial levels.

The signatory countries are therefore committed to transcribing the elements of the Paris Agreement into national legislation and international agreements. This development forces all stakeholders in the automotive industry to continue and even accelerate their efforts **by improving their product portfolio with a view to decarbonisation.**

As a Tier 1 (and Tier 2) automotive supplier, PPS strives to play a definite role in the transition to a low carbon (CO₂) society - both by committing to reduce its direct and indirect energy consumption and by ensuring that its products and processes are more energy efficient.

PPS is ultimately also reducing the overall carbon footprint by continuing to develop innovative products that improve the efficiency with which its products are used by others.

POLICY

In product design, PPS implements eco-design principles: i.e. it seeks to design products in a sustainable and environmentally friendly manner. PPS takes this into account in the design and development of the product and throughout its life cycle; from the raw material to the end of life, including manufacturing, logistics, distribution and use.

OBJECTIVE The objective of PPS is to be an essential link in the development of sustainable mobility solutions for the PPS Group, thus responding to increasing legislative pressures and its social responsibility.

ACTIONS & RESULTS

* Limiting environmental impact:

- Reduction of energy consumption in the design and validation phase. Challenge 2 on energy management has addressed this theme in detail.
- Reduction of water consumption (in the design and validation phase). This topic has been specifically included in Challenge 2 (Water Management).
- Material consumption (during production and use)
 - ◆ For the production of aluminium parts, PPS uses secondary aluminium which is derived from recycling.
 - ◆ For the design and prototyping part, PPS takes into account the International Material Data System (IMDS), in order to bypass products that create pollution.
 - ◆ This approach is complementary to the eco-design process by which PPS seeks to **limit obsolescence and the recurrent use of maintenance consumables** (lifetime filling). **The reparability** of products is also reinforced by the availability of spare parts for 15 years. The design criteria are constantly exceeded (e.g. guaranteed mileage).

- ◆ Finally, end-of-life management (recycling rate) of products is evolving towards ever greater **recyclability**.

- Energy recovery (during the validation phase and product use)

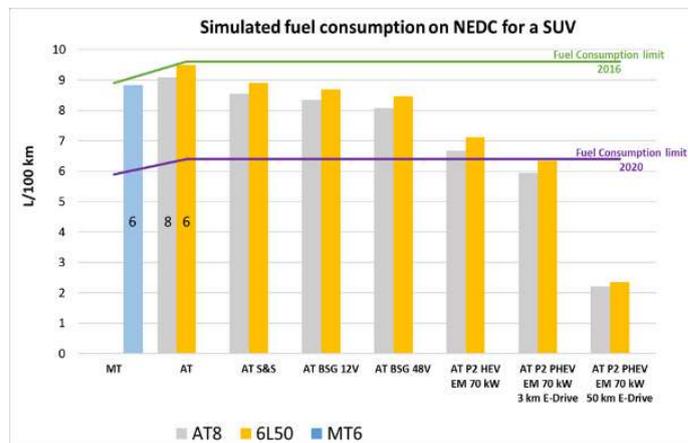
* PPS is working with other entities of the group on the use of hydrogen (green or blue) for mobility (PUNCH Turin in Italy) and on energy recovery and storage technologies based on flywheels (PUNCH Flybrid in the United Kingdom) in order to take full advantage of potential synergies by combining several solutions.

* PPS is developing new solutions for low-carbon mobility by increasing the level of electrification of transmission systems (eDrive, DHT), which are significantly more efficient (engine system efficiency and energy recovery).

* The upgrade of the historic product by integrating the Stop & Start system on the 6-speed gearbox has made it possible to reduce consumption in the WLTP cycle by 6.5%. Similarly, with the aim of making the product ever more environmentally friendly, this has led PPS, through incremental improvements, to integrate light and complete hybridisation functionalities (mild hybrid 12/48V and HEV P2); the ultimate evolution being the Plug-in Hybrid solution (PHEV) with an electric motor integrated into the gearbox (P2 position).

Key Perf Indicators

* Consumption reduction of a product in the New European Drive Cycle (NEDC) and Worldwide harmonized Light vehicle Test Procedure (WLTP) cycles and in Real World Driving Emissions (RWDE) conditions (testing phase of products and/or applications)



* Recycling rate (per product):

The Recycling rate is the percentage of the product in weight [g] that could theoretically be recycled if the product is collected and the processing channel exists.

Some examples of our current products:

- 8HP50 (2nd generation of the 8-speed) = 95.70%;
 - 6L50 (GM 6-speed) = 95.04%;
 - 6L50 S&S (evolution of the 6-speed with PUNCH and the stop & start function) = 96.27% with a medium-term objective for eDrive of 98%.
- ⇒ There is an increase in the recycling capacity over time.

Challenge 10: Product quality and safety

CHALLENGE

Quality is self-evident - only quality brings success. In competition, quality is not a distinguishing feature, but a prerequisite. PPS customers expect the absence of defects, reliability and safety of its products and services as an indispensable attribute. Quality is the basis for all progress and initiates a feedback and improvement mechanism.

Product safety encompasses the way in which products are marketed and packaged. The company must monitor and inform its customers of the risks involved in the use and maintenance of its products

PPS demonstrates, on the basis of the principles listed below, the commitment of its employees, qualitative or quantitative objectives, its desire to design and manufacture products whose impact on the health and safety of consumers tends towards 0.

The quality, robustness and durability of its products help to promote sustainable consumption.

POLICY

The company's mission is to provide products with the highest level of customer satisfaction.

OBJECTIVES

The quality objectives of PPS products throughout their life cycle also contribute to the improvement of intrinsic quality, safety and the limitation of their environmental footprint to fully meet customer and regulatory requirements. To ensure our competitiveness, PPS is constantly consolidating and improving its performance.

*Cost of non-quality at the factory [in M€]; 2021 objective: €1.3 M

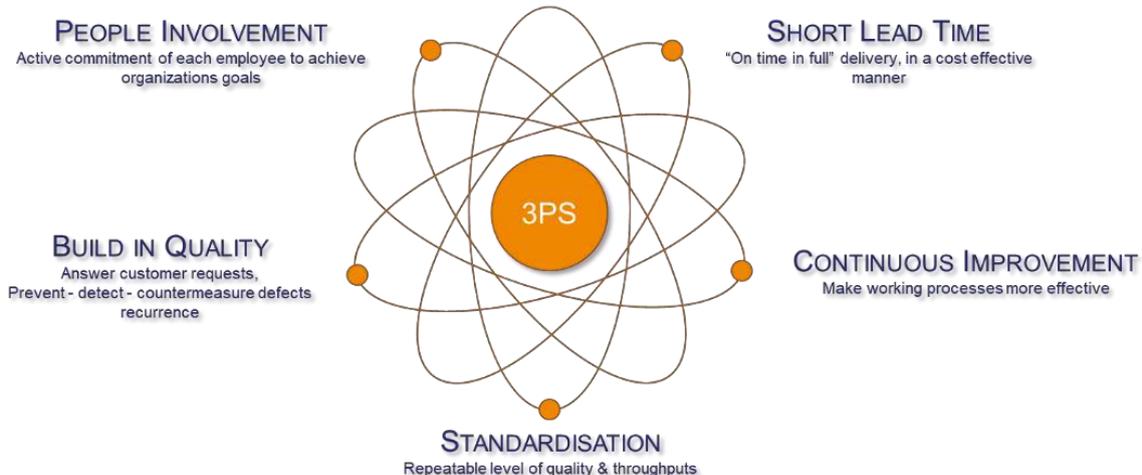
*2020: number of 8HP customer returns under warranty [in ppm]; 2021 objective: 84 ppm per month

*Number of parts rejected by customers [in ppm]; 2021 objective: 52 ppm per month

*Response time to customers (RFI/RFQ); 2021 objective: 100%

ACTIONS & RESULTS

* PPS works on the quality control and continuous improvement of its processes. This is a "3PS" approach and is part of a "learning company" theory.



It is based on industry-recognised good practice in continuous improvement such as:

- **Lean Management** - a managerial and organisational approach that aims to improve the quality and profitability of a company's production by avoiding as much as possible the waste of its resources (7 types of waste). At PPS, this approach is an integral part of a continuous improvement culture. As an example, PPS has implemented a policy of improvement of workstation audits (Layered process audit), the objective of which was to seek efficiency (time saving), reliability (homogeneous data), user-friendliness (user ergonomics) and an evolutionary approach to the audit process. This project is significant since 1298 audits were carried out in 2019 by team leaders and supervisors on the various production stations and this process is carried out annually. The project, which has been deployed since March 2021, has already enabled gains to be made in the processing and analysis of workstation audits, since the historical audits, carried out in paper format (A4 sheets), were not easily exploitable and filled out in inconsistently. The tool has therefore made it possible to gain in efficiency, is more tailored and provides better categorisation of the data.

Illustration: Workstation audit monitoring dashboard



- **The use of BPD (Business Plan Deployment)** with clear objectives (PDCA - plan, do, check, act). BPD is PPS' historical tool for performance management. The aim is to deploy the company's objectives at all levels of the organisation (from the top management to the operational levels) and to check that they are achieved or, in the event of drift, to implement action plans and monitoring. Monthly meetings are organised per shift with the presence of the General Manager in BPD1 (company) and BPD2 (departments) meetings to review key indicators, determine action plans and formalise initiatives. BPD2 meetings are supported by the other levels, BPD3 (departments) and BPD4 (production area).

* PPS took part in a "Product Compliance and Safety Review (PSCR)" certification training course in 2019. This lasted 2 days and involved 6 employees. The training focused on the challenge of product safety and production compliance throughout the product life cycle, and consequently the legal responsibility related to the products concerns the whole supply chain up to the manufacturer.

* PPS has won the Technology and Innovation Award twice (2016 and 2017) and the "Most Value Added Supplier" award (2018) from SAIC Maxus. These awards have helped PPS to further enhance its reputation as a reliable technology company. PPS regularly receives excellent evaluations for its quality from other companies such as Magna, BMW and ZF.

Last but not least, this enabled PPS to pass the IATF16949 audit - first time round. The International Automotive Task Force (IATF) is a group formed by associations of suppliers of all tiers and car manufacturers. One of its aims is to improve product quality (with a particular focus on requirements).

Perf Key Indicator

* Customer non-quality costs [in €m]: 2020: **€1.9m**

2021 objective: €1.3m

Definition: Cost of external non-quality charged by our customers in 2020

* Number of parts rejected by customers [in ppm]: 2020: **4.4 ppm**

Definition: Evaluation of customer performance (division of the number of rejections by the number of pieces in the month multiplied by one million; the indicator is calculated in parts per million pieces)

2021 objective: 20 ppm per month

* 2020: number of 8HP customer returns under warranty [in ppm]: **58 ppm**

2021 objective: 84 ppm per month

Definition: Transmissions under warranty replaced in dealership

* Response time to customers (RFI/RFQ): 2020: **100%**.

2021 objective: 100%.

Definition: % of responses to customer enquiries within the specified time

SUPPLY CHAIN SECTION

Challenge 11: Supply chain management

CHALLENGE PPS' supply chain is integrated with the supply chain of its customers. It is important for all companies to know where their resources come from, how they are produced and what the CSR management system of their subcontractors is. This includes the materials purchased, the services provided, the working conditions of suppliers, and PPS's commitment to promoting responsible purchasing practices within its supply chain.

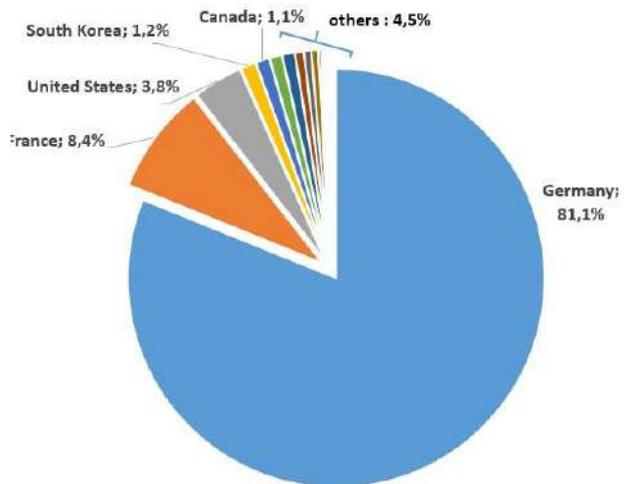
PPS is committed to ensuring that its suppliers comply with the quality and safety regulations and environmental challenges. To achieve this, PPS relies on its code of conduct "Business Partner Principles" which specify the expectations in each of the areas related to the company's CSR policy.

POLICY

OBJECTIVES By 2025:
 * 99% of suppliers have a satisfactory CSR level.
 * 90% of suppliers have signed the PPS code of conduct.

ACTIONS & RESULTS

* Geographical distribution of direct suppliers as a percentage of turnover. 81% of purchases are made with Germany, 8% with France, 5% with the USA and Canada, 1% with South Korea. The remaining 5% are spread over all continents. (2020 data).



* Internal training for buyers in responsible purchasing and the approach implemented by PPS. The challenges identified must necessarily involve the buyers in order to pass on the company's objectives to all suppliers, both direct and indirect. To this end, a training course presenting the general CSR principles, PPS's approach, its internal objectives and its objectives towards its suppliers will be presented to all members of the PPS Purchasing Department in the third quarter of 2021.

* Contractual commitment to conflict minerals requirements. The Supplier Quality Assurance department maintains a specific database of suppliers who may be subject to the conflict minerals challenge, i.e. minerals whose exploitation could give rise to illegal practices, or the use of means that do not respect, or question the ethics of the suppliers.

* The selection of suppliers in the context of calls for tenders presented in the "sourcing table" systematically includes a CSR assessment, whether it is a CSR certification, an internationally recognised assessment framework or the PPS framework. Any supplier that is unable to demonstrate compliance with these criteria through its assessment is deemed **unsatisfactory** and not eligible to develop a business relationship with PPS. This principle also applies to the entire existing supplier base, including General Motors' historical suppliers and ZF suppliers with whom PPS works, within the scope of the indicator as defined (see § Key Performance Indicators).

* Any new supplier to PPS, selected for a sourcing table, must commit to the code of conduct in order to be included in the supplier base, or at least be able to demonstrate its level through an assessment. This principle also applies to the entire existing supplier base, including GM's historical suppliers and ZF's suppliers with whom PPS works, within the scope of the indicator as defined (see § Key performance indicators).

KEY PERFORMANCE INDICATORS

*** Percentage of suppliers meeting a satisfactory CSR level.**

This concerns all suppliers with whom PPS has an annual turnover of more than 100,000 Euros, for direct and indirect purchases, as well as all new suppliers introduced to the panel through a sourcing table (the threshold is set at more than 50,000 euros). For PPS, this is about 15% of the total suppliers, which represents approximately 95% of total purchasing turnover. This indicator will be monitored on the basis of the annual turnover criterion indicated above, for suppliers able to demonstrate a satisfactory CSR assessment.

A satisfactory CSR assessment is defined as the supplier providing a copy of the CSR certification by an accredited organization, a copy of a score deemed sufficient based on an international assessment framework such as EcoVadis or NQC, or the return of the PPS self-assessment questionnaire in which no criteria are rated as non-compliant. A score is considered sufficient for the above mentioned assessment frameworks depending on the framework and the level set by the customer to PPS on the same framework.

***Percentage of suppliers who have signed the PPS code of conduct.**

This concerns all suppliers with whom PPS has an annual turnover of more than 100,000 Euros, for direct and indirect purchases, as well as all new suppliers introduced to the panel through a sourcing table (the threshold is set at more than 50,000 euros). For PPS, this is about 15% of the total suppliers, which represents approximately 95% of total purchasing turnover.

The current level of the number of suppliers who have signed the code of conduct is **less than 1%**, insofar as this document accompanies the implementation of the CSR approach undertaken by PPS. This indicator will be monitored on the basis of the annual turnover criterion indicated above, including the list of suppliers who have signed the code of conduct as well as the corresponding signature date.

APPENDIX

*Report by the Statutory Auditor
on the non-financial statement*

PUNCH POWERGLIDE STRASBOURG

Société par actions simplifiée
81, rue de la Rochelle
67026 Strasbourg

Report by the Statutory Auditor on the non-financial statement

For the year ended December 31, 2020

PUNCH POWERGLIDE STRASBOURG

Société par actions simplifiée
81, rue de la Rochelle
67026 Strasbourg

Report by the Statutory Auditor on the non-financial statement

For the year ended December 31, 2020

This is a free translation into English of the Statutory Auditor's report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the Executive Management,

Following your request and in our capacity as Statutory Auditor of PUNCH Powerglide Strasbourg SAS (hereinafter "the Company"), we hereby report to you on the non-financial statement for the year ended December 31, 2020- (hereinafter "the Statement") presented on the Company's website.

Responsibility of the Company

The Board of Directors is responsible for preparing a Statement pursuant to legal and regulatory provisions, including a presentation of the business model, a description of the main extra-financial risks, a presentation of the policies implemented with respect to these risks as well as the results of these policies, including key performance indicators. The Statement has been prepared by applying the company's procedures (hereinafter the "Guidelines"), and available upon request from the General Management.

Independence and quality control

Our independence is defined by the requirements of article L. 822-11-3 of the French Commercial Code and the French Code of Ethics for Statutory Auditors (*Code de déontologie*). In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements, French professional standards and applicable legal and regulatory requirements.

Responsibility of the statutory auditor

Based on our work, our responsibility is to express a limited assurance conclusion on:

- the compliance of the Statement with the requirements of article R. 225-105 of the French Commercial Code;
- the fairness of the information provided pursuant to part 3 of sections I and II of Article R. 225-105 of the French Commercial Code, i.e. the outcomes of policies, including key performance indicators, and measures relating to the main risks, hereinafter the “Information.”

However, it is not our responsibility to provide any conclusion on the company’s compliance with other applicable legal and regulatory provisions, nor on the compliance of products and services with the applicable regulations.

Nature and scope of procedures

We performed our work in accordance with the professional guidance issued by the French Institute of Statutory Auditors (*Compagnie nationale des commissaires aux comptes*) relating to this engagement and with ISAE 3000 (*Assurance engagements other than audits or reviews of historical financial information*).

We conducted procedures in order to assess the Statement's compliance with regulatory provisions, and the fairness of the Information:

- We familiarized ourselves with the Group’s business activity, the report on the main non-financial risks relating to this activity, and with the subsequent policies and their results.
- We assessed the suitability of the Guidelines with respect to their relevance, completeness, reliability, neutrality and clarity, taking into account, where appropriate, best practices within the sector.
- We verified that the Statement covers each category of information stipulated in section III of Article L. 225-102-1 governing social and environmental affairs.
- We verified that the Statement provides the information required under article R. 225-105 II of the French Commercial Code, where relevant with respect to the principal risks, and includes, where applicable, an explanation for the absence of the information required under article L. 225-102-1 III, paragraph 2 of the French Commercial Code.
- We verified that the Statement presents the business model and a description of principal risks associated with all the company’s activities, including where relevant and proportionate, the risks associated with its business relationships, its products or services, as well as its policies, measures and the outcomes thereof, including key performance indicators associated to the principal risks.
- we referred to documentary sources and conducted interviews to:
 - assess the process used to identify and confirm the principal risks as well as the consistency of the outcomes, including the key performance indicators used, with respect to the principal risks and the policies presented, and
 - corroborate the qualitative information (measures and outcomes) that we considered the most important. ¹

¹ Selected qualitative information: CO2 and GHG emissions; Environmental compliance/certification; Employee health and safety: ergonomics, Environmental impact of product use

- We obtained an understanding of internal control and risk management procedures the Company has put in place and assessed the data collection process to ensure the completeness and fairness of the Information.
- We carried out, for the key performance indicators and other quantitative outcomes² that in our judgment were of most significance:
 - analytical procedures that consisted in verifying the correct consolidation of collected data as well as the consistency of changes thereto.
 - substantive tests, on a sampling basis, that consisted in verifying the proper application of definitions and procedures and reconciling data with supporting documents.
- We assessed the overall consistency of the Statement in relation to our knowledge of the company.

We believe that the procedures we have performed, based on our professional judgment, are sufficient to provide a basis for a limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures.

Means and resources

Our work engaged the skills of four people between February 2021 and June 2021.

To assist us in conducting our work, we referred to our corporate social responsibility and sustainable development experts. We have held about fifteen interviews with those responsible for the preparation of the Statement.

Conclusion

Based on our work, nothing has come to our attention that cause us to believe that the non financial statement does not comply with the applicable regulatory provisions and that the Information, taken as a whole, is not fairly presented in accordance with the Guidelines.

Paris-La Défense, June 28, 2021
The Statutory Auditor,

Deloitte & Associés

Loic MULLER
Partner, Audit

Catherine SAIRE
Partner, Sustainability Services

² Quantitative information selected: Tons of CO2 scope 1 and 2 per equivalent unit ; Electrical energy consumption per equivalent unit ; Material recycling rate of waste; Water consumption per equivalent unit ; Average number of employees over the year ; Frequency rate ; Severity rate, Number of training hours per employee ; Number of parts rejected by customers ; Cost of customer non-quality