

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) DUE DILIGENCES FOR MERGERS & ACQUISITIONS (M&A), CLOSURE, DECOMMISSIONING, AND DIVESTMENT PROCESSES

1 Background

Given the potential consequences of M&A activities, companies have a stake in overseeing the transaction process from an early stage through to post-closing integration. A critical aspect of this oversight responsibility relates to the due diligence process. Indeed, a due diligence well performed can provide significant and valuable insights into the target company and allows for a more documented assessment of potential risks and anticipated benefits of the transaction. On the other hand, transactions that don't ultimately perform as expected, including not providing positive returns or resulting in large negative surprises, can cause serious damage to companies and their Boards of Directors, ranging from litigation to the ouster of managements and even board members.

Thus, it is in company's interest to emphasize the importance of and facilitate a well thought-out diligence process.

While often undervalued in transactions, ESG due diligence raises awareness of potential risks and opportunities that can affect investment performance.

The same need for ESG due diligence applies to divestments, closures and decommissioning for similar reasons.

Constellium is used to conduct due diligence for any acquisition/closure/divestment with the support of qualified third parties such as law firms and banks.

However, it is important to make sure that we consider ESG factors all along the diligence process; ESG shall be used as part of the decision process for any potential merger or acquisition. It shall also be used as part of the closure/divestment processes to insure that the decisions are being made taking these elements into account.

The purpose of this policy is to define the right approach to integrating ESG risks and opportunities into our investment, closure and divestment processes.

2 Our Due Diligence Procedure

Based on our business, the following aspects shall be integrated in our due diligence process for M&A, closure, decommissioning and divestment.

Environmental

- Compliance with environmental regulations
- Mapping of natural risks
- Pollution of air, buildings, land and water
- Impacts on ecosystems and biodiversity
- Exposure to extreme weather events
- Energy efficiency strategy and greenhouse gas emissions management
- Use of scarce resources
- Management of waste and recycling
- Use of water, especially in water scarce regions
- Readiness to respond to changing regulations on environmental performance

Social

- Management of Health & Safety for employees and contractors
- Protection of customers' data and compliance with privacy laws
- Approach to human rights risks such as labor standards, child labor and modern slavery
- Strength of relationships with workers and communities
- Approach to diversity and equal opportunities
- Dialogue with key stakeholders when relevant

Supply chain

- Supply chain risks, such as standards of working conditions or environmental impact (supply chain management shall be carefully evaluated based on the criteria developed in (i) Constellium Responsible Supply Chain Management policy and (ii) Constellium Supplier Code of Conduct)

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Finance and Environment, Health & Safety

- Review latest site environmental reports and related provisions if applicable

Governance

- Audit Committee and Board structure
- Compliance with accounting standards
- Compliance with competition laws
- Bribery, corruption and responsible tax records
- Executive remuneration
- Lobbying record and political contributions
- Robustness of ESG risk management processes
- Presence of appropriate whistleblower and grievance mechanisms
- Extra financial reporting management

Consequently, as per this policy, Constellium formally decides to incorporate ESG factors into its due diligence process and to review the scope of the ESG Due diligence as part of a transaction or when a closure/divestment is decided in order to define the appropriate level of ESG due diligence.