



2021 Sustainability Report

NEOLITH
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2021 Sustainability Report



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About this report

1 Message from the CEO

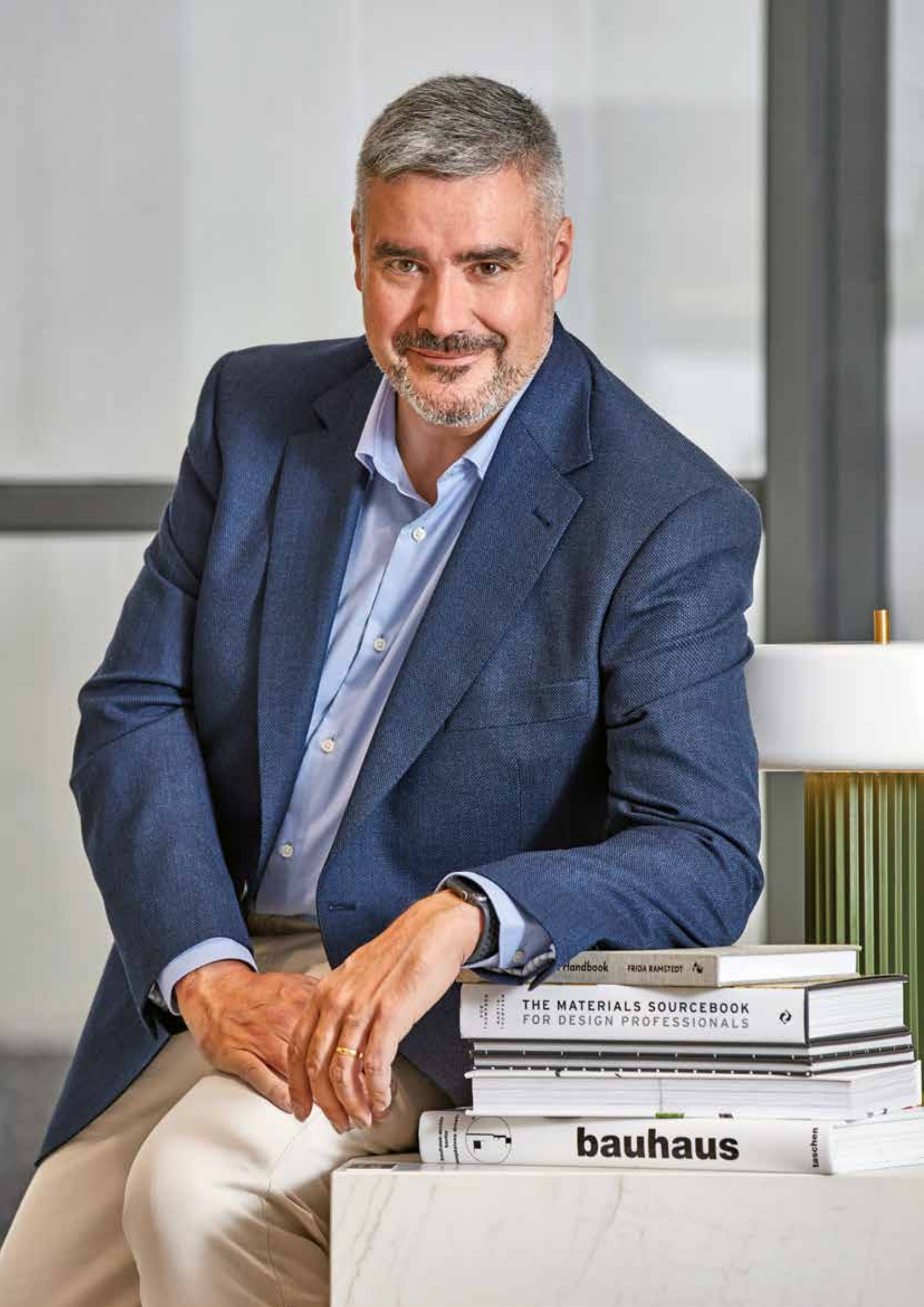


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Message from the CEO

In just a couple of years, we have gone from seeing an increasingly globalized and hyper-connected, predictable and fast growing world to realizing how fragile the balance of the “world order” really is. We have all experienced major bouts of insecurity and global challenges recently, such as the pandemic, supply chain disruptions or the energy crisis.

During these times of uncertainty, Neolith's strategic vision and ability to adapt have been crucial in rising to the challenge with determination. Our aim of building a better world has inspired us more than ever to step up our ambitious plans and work even harder to achieve the future we all desire.

Creating long-term value for stakeholders

At Neolith, we believe in generating value for all customers by working day in and day out to deliver the best service and an excellent product. Our philosophy of close cooperation and our long-term vision with our suppliers have proven to be highly effective in dealing with the logistics issues. Neolith has also invested heavily to drive its digital and technological transformation —crucial during challenging times like the present— with the ultimate aim of better serving our customers around the world and further protecting our value chain.

For the people at Neolith, creating long-term value means securing their future more than anything else. We carried out myriad preventative initiatives in 2021 to continue improving working conditions and protective measures, which reaped rewards once again. The Company has never faced a severe setback since it began operations.

We are still firmly committed to offering stable and high quality employment. Despite the disruption caused by the pandemic and the continuous external challenges facing us, Neolith hired a further 200 people during the year, upholding its commitment by offering long-term contracts to 90% of them.

I am proud to say that Neolith is the first company in the materials industry to achieve climate neutrality, having offset its main sources of emissions since 2019. We took several steps in 2021 to reduce our carbon footprint. We also became a signatory of the United Nations Global Compact (UNGC), underlining our commitment to its climate action principles.

On the environmental front, we carried out several major projects in a bid to obtain our industry's first 0% waste certification in the near future. We recycled more than 96% of all waste generated at our production plant, strengthening our commitment by launching 90R technology; i.e. Neolith products that contain up to 90% of recycled materials in their composition, while retaining all their technical and aesthetic properties. This improves upon the goal achieved in 2018 following the presentation

of our highly-acclaimed White textile design with 50% recycled content.

One of the major transformation projects completed in 2021 was 'Freedom'. This project entailed the full overhaul of all Neolith products to place them at the forefront in having the lowest crystalline silica content of any high added value surface. The successful completion of this project marked a major step forward in protecting not only our people, but also the entire transformation and installation value chain.

In line with our commitment to improving consumer safety, we unveiled "NeolEAT" technology in 2021. This technology incorporates the latest advances to avoid the proliferation of bacteria on surfaces and deliver better protection for our users. It provides a functional value, particularly for use in kitchen countertops and bathrooms, or in restaurants, bars or hospitals.

Looking to the future

Like many other organizations around the world, life at Neolith has been affected by geopolitical unrest, the energy crisis and the long-term effects of the pandemic, among other issues. However, our ability to look ahead, and to adapt and transform ourselves quickly, has been crucial for us to press forward with our ambitious plans.

In 2021, we decided to pick up the pace in pursuing our strategic plan, which will allow us to double our industrial output as we move through next year. This, together with the international expansion plan, will be key to consolidate the sustainable growth of our business.

Just over a decade ago, we pioneered a new category of materials, namely sintered stone. We have always been an innovation-driven group and we strive to place the consumer at the heart of our brand, because the best thing about creating something is getting to enjoy it. To achieve this, we stepped up our R&D efforts during the year and also unveiled our "new Neolith" program, which envisions numerous actions and initiatives to maximize the brand experience and magnify our shared values. We have broadened our range of applications, thus demonstrating the enormous versatility of Neolith, while focusing at all times on creating products that are not just functional, but combine clever design and sustainability as essential vectors.

In the realm of ESG, we have consolidated our strategic plan and we will venture into 2022 with new ambitious objectives such as earning EcoVadis certification, implementing SBTi and installing a solar power plant, as we continue to lead our industry.

Thanks to our joint efforts, Neolith reported yet another year of strong growth in 2021, with global revenue climbing 17% and EBITDA up 33%.

Building a better world

Despite the challenges we now face as a society, when I look to the future and remember what has been achieved in recent years, I am quietly optimistic. Especially in the last year, the Neolith team has categorically shown that no mountain is too high. We have been able to achieve incredible progress as we humbly go about our daily work and draw inspiration from the values and purpose of our company.

On a broader scale, I strongly believe that the challenges we have overcome have helped us, and many other companies besides, to understand our wider role within society, and to think about what we can do to address pressing issues such as environmental sustainability and economic inequality.

I personally feel very fortunate to lead such a strongly committed and well-prepared team, and on their behalf I now invite you to peruse our latest Sustainability Report. I would also like to take this opportunity to thank our customers, opinion leaders, distributors, suppliers, shareholders and society in general, because their trust in Neolith inspires us to get better every day as we seek to build a better world for everyone.

– José Luis Ramón,
CEO Neolith Group



2 2021 highlights





2021 highlights

96%

waste sent to
recycling centers

90%

content recycled

TCFD

Risk assessment

730

trees planted

100%

water recycled

2,802 tons

of Scope 1 CO2 emissions
offset

459,680 €

invested in environmental
protection

**Neolith Group surpassed pre-COVID-19
production levels while achieving a significant
reduction in emissions**

NEOLITH'S KEY EMPLOYMENT PRINCIPLES

The Neolith Group has built four key principles of labor management into all areas of its corporate culture, basing its growth strategy on people:



NON-DISCRIMINATION

For reasons of gender, age,
religion and/or ideology, or
ethnicity.



EMPLOYMENT CONTINUITY

Internal promotion and
horizontal mobility within the
Company



DEVELOPMENT AND TRAINING

Performance management
and continual improvement



WORK-LIFE BALANCE AND FLEXIBILITY

Flexibility and optimal
working conditions

The Company donated €32,950 to World Central Kitchen in 2021 to help those affected by the volcanic eruption on the Spanish island of La Palma, together with €100,000 worth of food to authorized food banks.

KEY QUALITATIVE DATA ON OCCUPATIONAL HEALTH AND SAFETY



Occupational health and safety policy drawn up



Product safety data sheet (crystalline silica concentration of less than 9%) updated



Training and awareness-raising about crystalline silica



Zero-accident plan drawn up

12.75

frequency rate

0.48

severity rate**

0

occupational diseases

KEY QUANTITATIVE DATA ON EMPLOYEES

665

total employees at year-end

88%

average permanent contracts

99%

full-time contracts

89%

employees covered by collective bargaining agreements

66%

employees participating in the first climate and engagement survey

3,343

total hours of training

3 About Neolith Group



Good Morning Neolith

El periódico del nuevo Neolith

Lo mejor de crear algo es vivirlo

La marca líder global del interiorismo
puede ser vista en cada rincón de las
interiores — la duda que surge es
¿cómo animarlo para este 2021?

La compañía se acerca a cerrar el año
y mejorar, revalorando su imagen
visual más sofisticado y final pero
también más humano.

La emocionalidad se valora
en cada uno de sus valores
comunicación. Sus
valores y su presencia
materializan
y adaptan



Neolith pone
el foco en el
comunicación



What is Neolith?

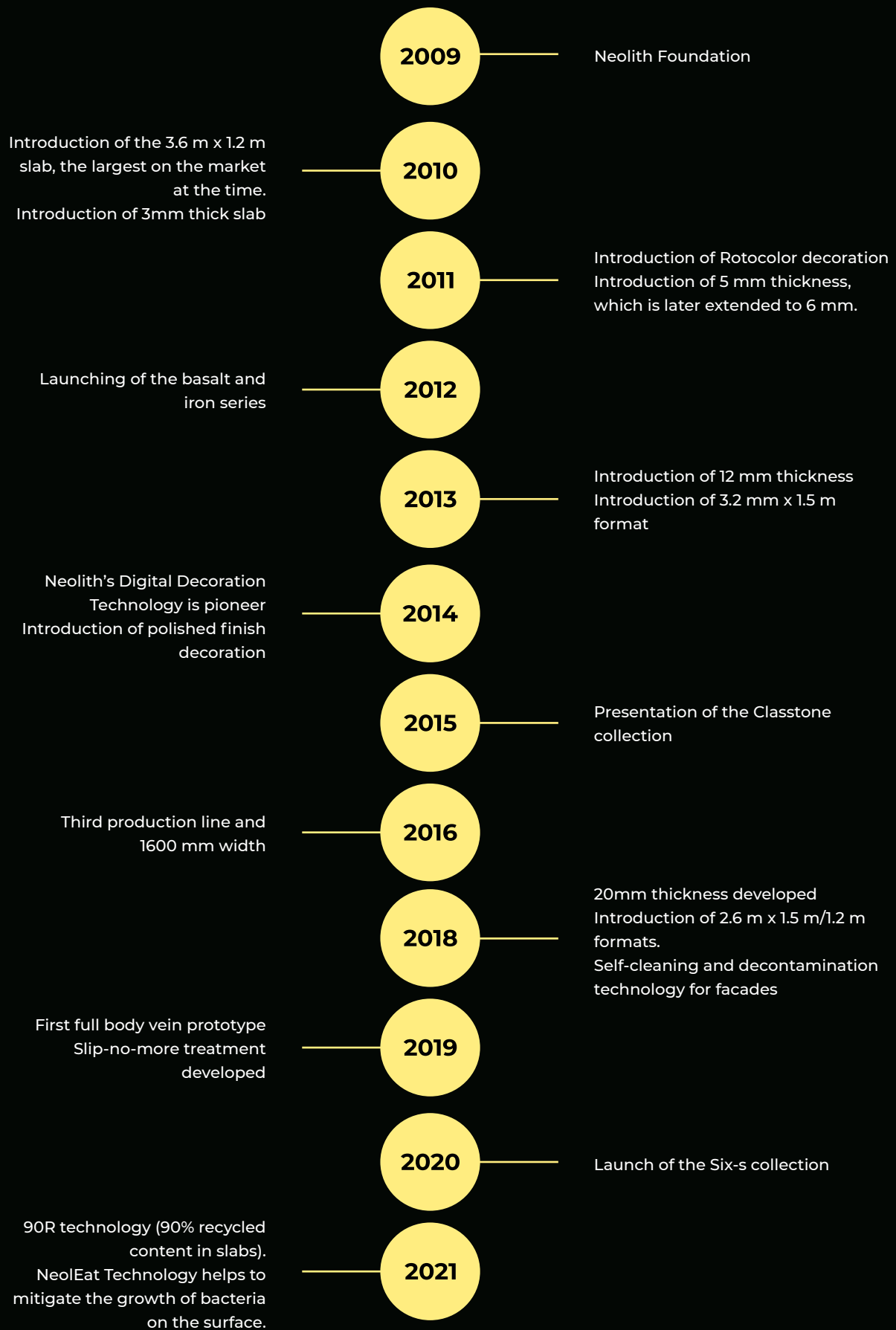
Neolith is the leading global brand in sintered stone, a ground-breaking and innovative architectural surface featuring superior technical characteristics and made from 100% natural raw materials. Neolith is all about design, versatility, durability and sustainability. It is on a mission to deliver cutting-edge innovative products and quality service to meet the needs and demands of the architecture and interior design worlds. Our Company strives to continue creating sustainable and eco-friendly products with the aim of becoming the leading brand that best serves the demands of the industry on a truly global scale.

Neolith Group was founded in 2009 and has become the best solution for indoor and outdoor spaces, combining exquisite design with high functionality. Offering more than 70 models suitable for all applications and uses, the Group continues to inspire and create living spaces in buildings and homes around the world.

Neolith continues to evolve through research and by developing new technologies, with the aim of creating sustainable buildings and environments that will shape the cities of tomorrow, while supporting society in a responsible way to build a brighter future for everyone. Through this desire, the Group embraces its commitment to sustainability in the environmental, social and governance spheres.

Neolith Group does not wait for the future...it builds it every day.

Since it first began operations, Neolith Group has witnessed exponential growth thanks to its impressive range of new products, coupled with international expansion. Main milestones in Neolith's history since its creation:



International footprint

Neolith Group has been growing on the international stage since day one. Nowadays, the Group is a truly global corporation, present in more than 100 countries around the world and making significant progress each year towards delivering its international expansion plan. The Group's production center and headquarters are located in Almassora, within the province of Castellón in Spain. It is strategically positioned as a disruptive company within an industrial cluster of similar companies, thus enabling it to achieve its objectives and ambitions in the short, medium and long run.

In 2021, it cemented its presence in the United States, Canada, China and Oceania by signing agreements with major distributors and opening direct centers in the main markets (US and Australia). As part of this expansion process, two new vice presidents were appointed, one in China and one covering the rest of Asia and Oceania. Meanwhile, four new distribution centers were built, two in the United States and two in Australia, which will open in the first half of 2022. Last but not least, the expansion division was bolstered in 2021 with new hires that will ultimately accelerate the Company's international growth.



Due to Neolith Group's strong international expansion, the Company has divided its geographical presence into two main categories: showrooms and distributors.

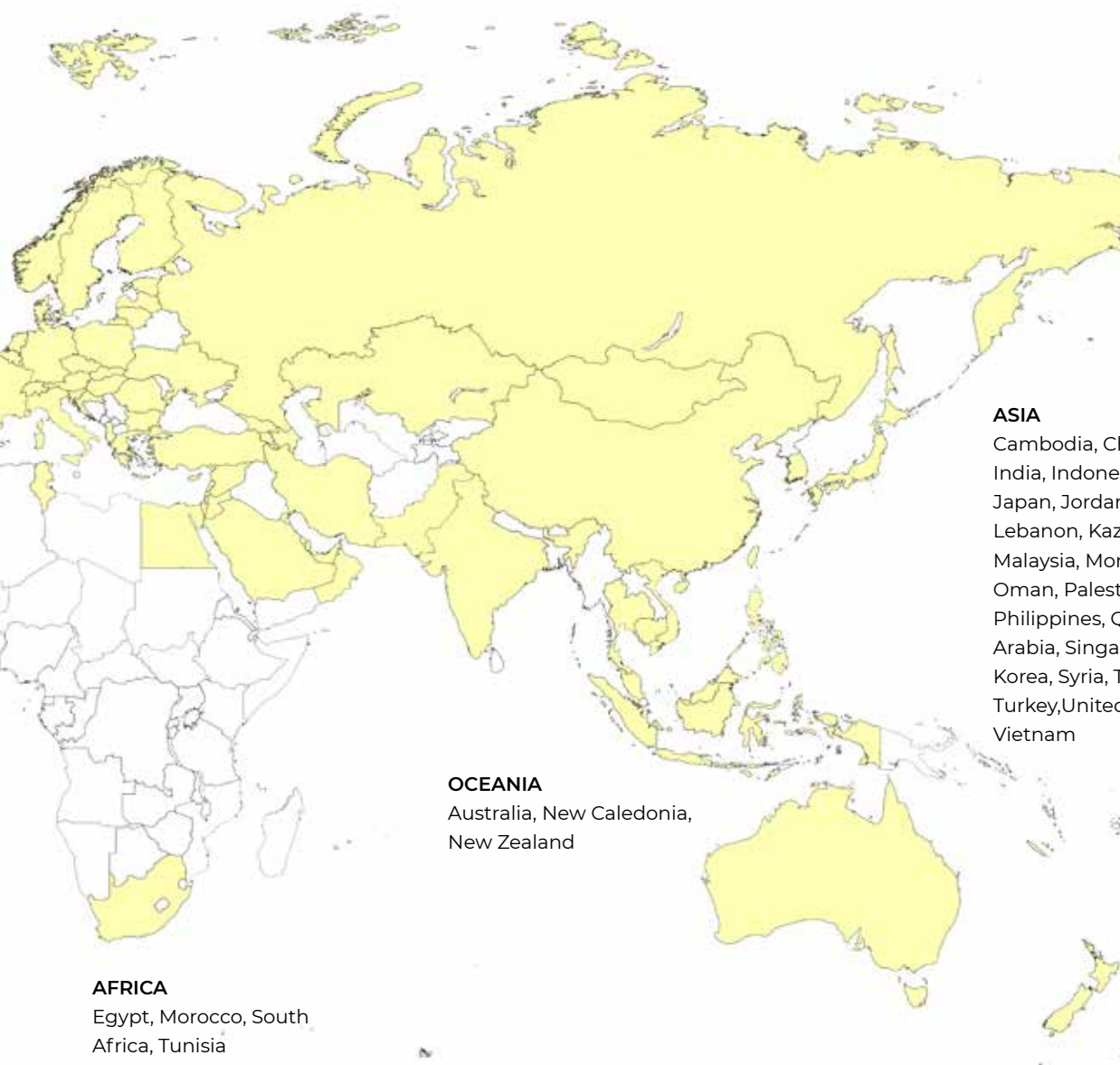
The showrooms are there to showcase the versatility, functional properties and design of the Group's products, while the distributors are responsible for logistics, product sales and promotion at each of the specifiers.

Neolith Group has, directly or indirectly, a total of 57 showrooms around the world. These showrooms are predominantly exclusive to Neolith products, although in some cases they may be multi-brand showrooms. More precisely, there are 47 single-brand and 10 multi-brand showrooms, in which Neolith is the only brand offering sintered stone products.

The Group's global distributors are located in:

EUROPE

Albania, Andorra, Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Italy, Ireland, Latvia, Lithuania, Luxembourg, Moldova, Netherlands, Norway, Poland, Portugal, Romania, Russia (*), Serbia, Slovakia, Slovenia, Spain, Sweden, Switzerland, Ukraine, United Kingdom.



(*) Operations in 2021. All operations in Russia were suspended when the war in Ukraine began.

Mission, vision and values

The Neolith Group has all the dynamics of a young company with an organized and agile decision-making process, which was further enhanced in 2021 by updating the delegated authority matrix to respond to the new global challenges from a corporate governance perspective. The Group also possesses extensive industrial and commercial knowledge, based on innovation, sustainability, and unrivalled service and quality assurance. Thanks to this solid foundation, the Group has grown continually while remaining committed to its vision of long-term value creation. The mission, vision and corporate values are the three main pillars of the organization's culture, guiding and steering all Group employees and activities.



MISSION

Create extraordinary experiences of sustainable functional design for our customers, through the most innovative surface, with a premium service.



VISION

Materialize your dreams by designing unique spaces.

VALUES



PASSION

We are all passionate about what we do and feel proud to be part of Neolith Group. We behave as brand ambassadors of our organization and aim to create a workplace to enjoy.



INNOVATION

We are pioneers in sintered stone, but always remain fresh, agile, and proactive. We are always thinking about how to improve and challenge ourselves in order to remain competitive and disruptive. We aim to build a sustainable organization through innovation and development.



INTEGRITY

We all act with honesty, behave according to our values and show the utmost respect for our Code of Conduct.



PARTNERING

We are relationship builders and care about our people, customers, community and the environment. We aim to make our organization and community a better place to work and live in. We truly believe that real success is only possible by creating strong bonds with our partners and stakeholders.



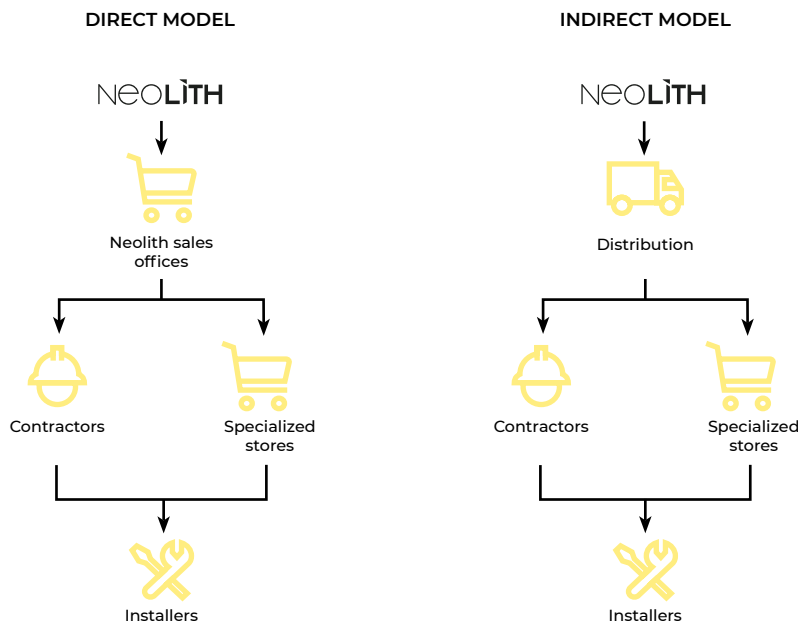
INSPIRATION

At Neolith we love everything that inspires us. Brands that inspire are able to understand their consumers and help them achieve their goals. With this in mind, we want to help our clients build the world they want to live in.

Neolith's value chain

The Group's value chain begins with the raw material extraction phase and, following an industrial process inspired by innovation and clever design, ends with the distribution, sale and assembly of its finished products for use by end customers.

Notably, the quality department has been restructured in order to focus the entire value chain on customer satisfaction, thus ensuring a stronger presence across the Group's various markets.



Environmental impact of our business model

The Neolith Group is a business group founded in 2009 and is firmly committed to the three pillars of sustainability: the environmental, the social and the good governance pillars. This 2021 edition is the Group's second Sustainability Report.

Neolith's business model relies on the use of natural resources to manufacture sintered stone. Neolith Group is acutely aware of the need to treat these natural resources with care and continues to work towards climate neutrality for Scopes 1, 2 and 3 of its carbon footprint through carbon offset projects, as a further show of its commitment to climate change mitigation.

However, knowing that global efforts would, at best, limit the average temperature increase to 1.5°C by 2050, successfully adapting to this environment will be critical for any company looking to build a resilient business. With that in mind, we also conducted a climate risk assessment in 2021, in line with the recommendations of the TCFD (Task Force on Climate-related Financial Disclosures). This will allow us to steadily adapt to and reduce the impacts of climate change over the coming years.

Moreover, Neolith aims to join the SBTi (Science Based Targets initiative) in 2022, thus demonstrating its commitment and desire to have a positive impact on climate change mitigation.

Eco-sustainable

100% Natural: Made from clays, feldspar, oxides and up to 20 different natural minerals, Neolith does not emit toxic gases into the environment when exposed to fire or extremely high temperatures.

100% recyclable: Thanks to its natural composition, Neolith can be recycled.

Porosity close to 0: Boasting a porosity of less than 0.08%, Neolith is impermeable to absorption, making it a very hygienic product and resistant to bacteria, the build-up of which can cause illness and allergies.

Fewer raw materials = less erosion: Neolith slabs are composed of fewer raw materials than other product categories as they are significantly slimmer, despite matching the mechanical and physical characteristics of other materials.

Reduction of CO2 emissions: A slim slab means a lighter slab. With Neolith, it is possible to transport more than twice the surface area when compared to thicker products such as marble, granite or quartz. The lighter weight and relative slimness of the load makes for more eco-efficient transportation and considerably reduces CO2 emissions.

Optimal energy consumption: Neolith's high resistance to extremely high and low temperatures makes it ideal for ventilated façades. Thermal insulation and ventilation between the Neolith façade and the building itself greatly optimizes the structure's energy consumption.

ESG strategy and commitment to sustainability

Neolith's primary objective is to continue growing over the coming years and to succeed in this task its vision is based on innovation, differentiation and adaptation to the needs of the global market. There is huge potential for Neolith products to reach new markets, and to broaden the range of solutions offered to end customers. In this expansion process, Neolith believes that the environmental, social and governance (ESG) pillars are the cornerstones of its growth.

Neolith has drawn up an ESG Action Plan to support its global strategy and ensure the Company's long-term success and resilience. Integrating ESG will be key to adapting to the needs of investors and customers, not to mention the planet's limited resources. It also helps the Group to stand out from its competitors and is built on the principles of environmental awareness, credibility, trust, innovation and customer centricity.

The ESG Action Plan seeks to leverage market opportunities and trends, while ensuring the sound management and control of the operational, reputational and business risks in the current environment. The plan will allow us to improve our product, marketing it better and potentially generate new revenue streams. In tandem, managing and controlling ESG risks will enable us to lower our operational costs, reputational risks and the risk of legal action against the Company. Neolith has defined five ESG pillars, all fully aligned with the Group's global vision and strategy:



PILLAR 1

ESG ORGANIZATION AND GOVERNANCE

Implementing an ESG governance structure that assigns responsibilities, roles and processes to integrate and monitor the actions to be carried out under this plan.



PILLAR 2

HUMAN CAPITAL

Recognizing the value and talent our people bring in providing stability and leadership across the organization is important. They are what drive excellence at Neolith Group.



PILLAR 3

SUSTAINABLE PRODUCT AND MANUFACTURING

Creating and unlocking the value of a sustainable product and ensuring continuous customer satisfaction enable Neolith to harness opportunities for marketing and selling its products by leveraging decision-making factors affecting end customers or influencers.



PILLAR 4

SUPPLY CHAIN CONTROL

Improving supply chain awareness, traceability and control will allow us to lower supply and/or reputational risks. Many ESG risks are spread along the supply chain.



PILLAR 5

COMPLIANCE AND TRUST

Building trust with stakeholders is key to making ESG reporting credible. Neolith Group engenders trust and this is one of its values. This pillar builds on Neolith Group's reputation and affords it continuity in its approach, which now includes material ESG aspects.

Extending the ESG plan in the medium, short and long run

These pillars are integrated through an action plan, which aims to take advantage of market opportunities and trends while controlling operational, reputational and business risks. Managing and controlling ESG risks will ultimately enable us to lower our operational costs, operational risks and the risk of legal action against the Company. The ESG Action Plan is split into three phases:

PHASE 1

The focus here is to consolidate the ESG structure and implement higher impact actions. This phase was all but completed over the course of 2021.

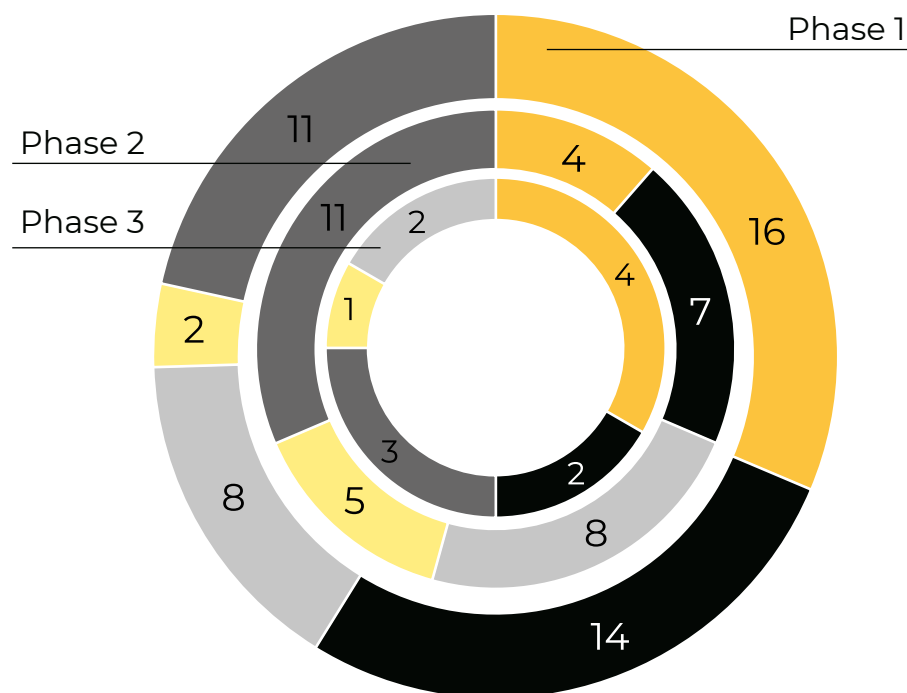
PHASE 2

The focus here is to improve Neolith's ESG positioning. This phase was initiated in 2021.

PHASE 3

The focus here is to implement best practices. It is due to start in 2022.

ESG Action Plan



ESG organization and governance



Human capital



Sustainable product and manufacturing



Supply chain control



Compliance and trust

Actions taken under the ESG plan

Neolith has undertaken numerous actions in recent years in the realms of governance, the community, and the environment to achieve its objective of growing, innovating and adapting to the needs of the global market and improving its ESG performance.

It carried out 48 actions in 2021 under the ESG Plan, across the following categories:



As a show of its commitment to sustainability, 10% of the management committee's variable remuneration in 2021 was linked to implementation of the ESG action plan. For 2022, Neolith has pledged to raise this percentage to 25%, illustrating the executive team's unwavering commitment to sustainability.

Sustainable Development Goals as part of Neolith's business

The Action Plan links the Group's strategy to the Sustainable Development Goals (SDGs). The United Nations (UN), along with the 193 Member States of its General Assembly, agreed to 17 SDGs in 2015 to achieve progress and ensure the well-being of people, the environment and the economy. The SDGs came about in 2015 as part of the Agenda 2030 for Sustainable Development. These goals also feature 169 specific targets and 232 official indicators for measuring progress. Their purpose is to promote education, equality and inclusion, fight climate change and eradicate poverty around the world, among others worthy pursuits.

Neolith has evaluated the extent to which the actions under the ESG Action Plan contribute to each of the SDGs to see where they can be aligned.

The SDGs on which Neolith has the greatest potential to generate a positive impact are SDGs 8, 12 and 13.

In assessing the Company's contribution to the SDGs, Neolith evaluates only those actions that generate an additional impact above and beyond what the Company is already doing to align its ESG Action Plan with the 2030 Agenda.

It follows the impact principle, whereby the results achieved through the Action Plan seek to maximize the Company's positive impact in the short, medium and long term.



12 actions



11 actions



7 actions



5 actions



4 actions



2 actions



2 actions



2 actions



1 acción



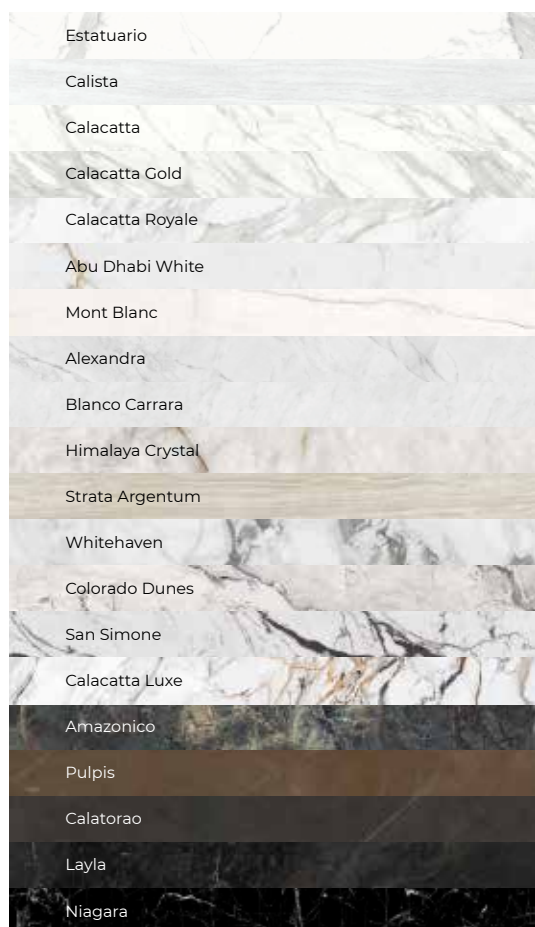
Collections

Our collections offer customers a wide range of possibilities, textures, colors and finishes to best adapt to the desired design.

The various collections are based on textures and materials from nature. Each collection features different finishes, which can be adapted to various design types. Neolith can leverage its extensive range of collections to cater to a broad spectrum of styles and aesthetic criteria among end customers.

THE NEW CLASSTONE

Experience the strength and light of natural stone.



COLORFEL

Shooting colors that create harmony



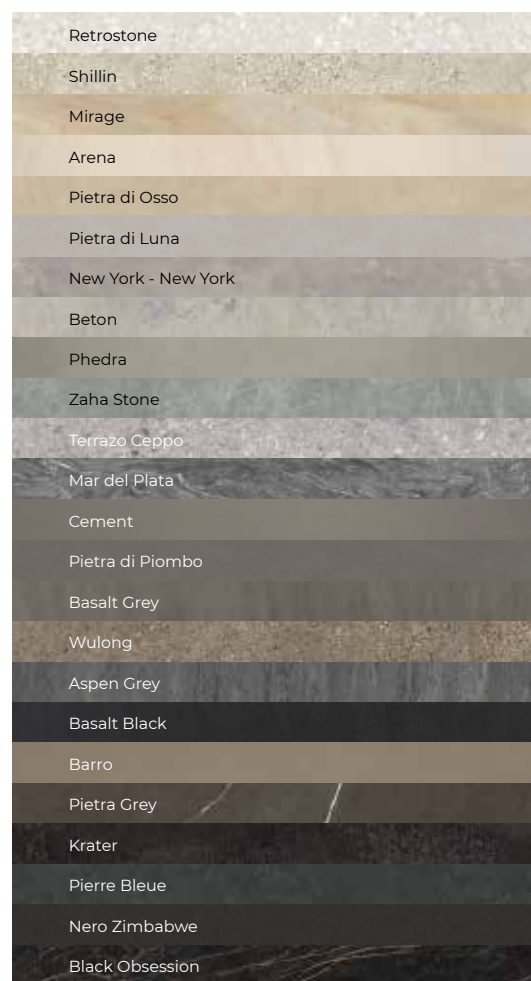
TIMBER

The warmth and comfort of wood



FUSION

Tranquility you can see as well as touch.



IRON

Metallic beauty that endures



STEEL

When steel is inspiration



New Classtone Collection

Neolith is proud to present The New Classtone Collection. This striking collection adds style, beauty and elegance to its best-selling predecessor.

The New Classtone Collection has been developed as part of Neolith's ongoing campaign to expand its North American operations and designed in response to trends within the North American market.

Each and every design in the collection is ultra-hygienic, lightweight, waterproof, scratch and UV resistant, easy to clean, durable, natural and 100% recyclable.



CALISTA



CALACATTA ROYALE



CALISTA



CALACATTA ROYALE

Each model in the collection features its own distinct pattern and color to perfectly match the designers' palette. In addition, each model features our ground-breaking NeolEAT technology.

This exclusive collection of eight new models adds style, beauty and elegance to any residential or commercial space. Timeless beauty is assured, whichever model you choose. Take a closer look and you'll soon see why the new Classtone collection is the perfect choice for your next project.



ALEXANDRA



ARABESQUE



WHITEHAVEN



NIAGARA

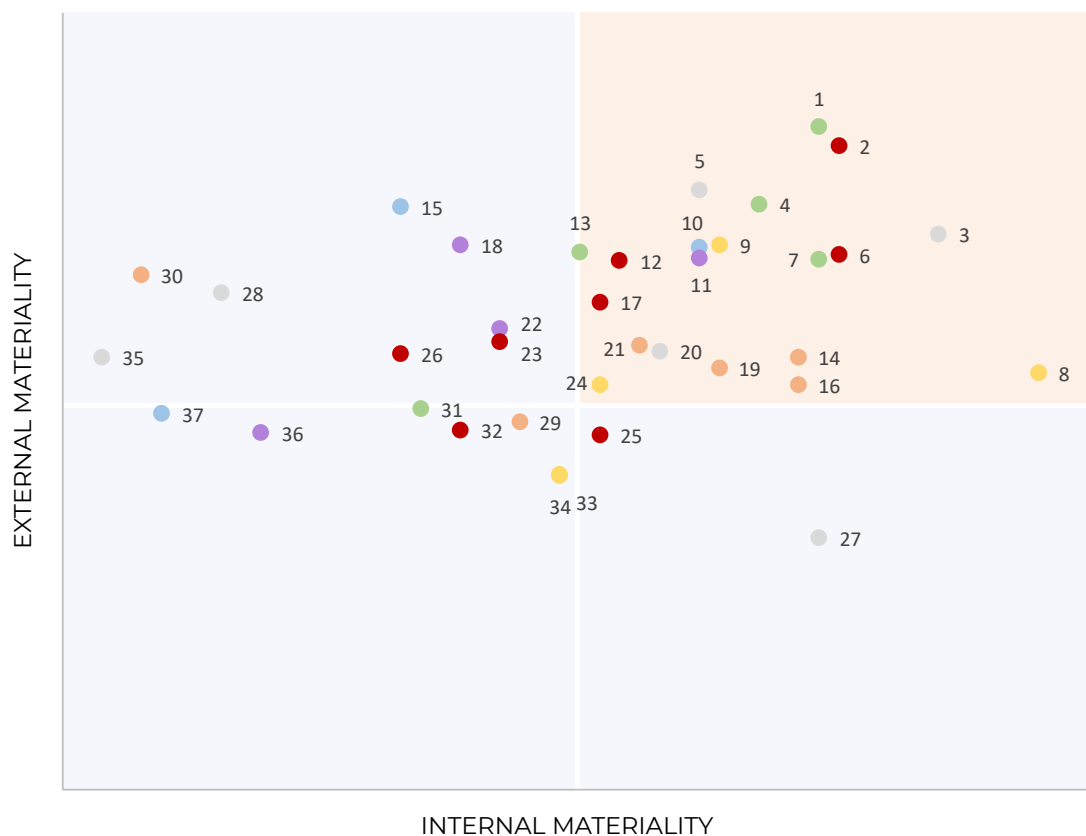
4 Contributing to a sustainable future





Materiality

In this section we present the results of the materiality study carried out in 2020, which addresses a total of 37 issues considered to be externally and/or internally material in three key areas: governance, the environment, and social impact. These issues were prioritized through a process that included a two-sided assessment (external and internal), respectively resulting in answers from the Companies' leaders, key distributors and investors. The process also addressed the main industry and sustainability trends, both nationwide and internationally, in order to obtain a reliable picture of their relevance for the Group's various stakeholders. The final stage was to prioritize the issues by positioning them accordingly on a materiality matrix.



- Corporate governance management
- Strategic vision
- Environmental management
- Climate change and biodiversity
- Supply chain
- People
- Value chain

LIST OF MATERIAL ISSUES FOR NEOLITH

The following table lists the material issues arranged by relevance to Neolith Group. These issues are addressed by the Company's management through the ESG strategy created in 2020. This strategy, which is explained at greater length in below, comprises specific actions to ensure that each issue considered material to the Company is managed accordingly. Responses to each of the material issues are provided throughout this report.

1 Environmental compliance	14 Money laundering, corruption and bribery	27 Partner collaboration and loyalty
2 Employee health & safety	15 Climate change	28 Creation of local wealth: employment, suppliers, economic development
3 Customer satisfaction	16 Compliance	29 Board of Directors assessment
4 Waste and the circular economy	17 Human capital development	30 Board diversity
5 Impact of the product on health	18 Supply chain and environmental impact	31 Water management
6 Employee working conditions and human rights	19 Good corporate governance practices	32 Social dialog
7 Consumption of energy and materials	20 Stakeholder engagement	33 Data protection and cybersecurity
8 Reputation, positioning and brand image	21 Integrating ESG aspects into the strategy and decision-making	34 Conflict of interest management
9 R&D&I programs and investment	22 Supply chain control	35 Dialog processes with local communities
10 Product sustainability	23 Diversity and equality	36 Supply chain and impact on biodiversity
11 Human rights policy in the supply chain	24 Transparency	37 Protecting biodiversity and natural areas
12 Attracting and retaining talent	25 Corporate culture and engagement	
13 Integrated environmental management system	26 Employee benefits	

Economic and social environment

The COVID-19 pandemic was once again the main external factor to have left its mark during the year. It has impacted our business in recent years on a global scale, while pushing up energy prices, causing logistical difficulties and leading to restrictions along the supply chain. Yet despite these problems, Neolith Group managed to maintain significant growth thanks to the Group's robust growth strategy.

Neolith's response to the COVID-19 pandemic has been effective in both the short and long run.

Sector-wise, one of the main risks relates to the extraction and treatment of the raw materials we need to manufacture our products. We are well aware of the environmental impact of our activities and, therefore, securing alternative and sustainable sources is a pressing concern for the sector. Waste management is another key concern. Indeed, the prevailing circumstances have required us to implement policies and procedures during our processes to help ensure adequate recycling or reuse of the water and tools we use and naturally the waste and discharges generated by the industry.

In these circumstances, Neolith Group has confirmed that emissions of polluting substances into the atmosphere mainly take place along the value chain. In response, the Group continues to work toward climate neutrality through Scope 1, 2 and 3 carbon offset projects. This is a testament to the Group's firm commitment to contributing to climate change mitigation and we are actively working to reduce all related risks. This aspect is discussed further in the chapter on the environment, in which we assess climate risk and the main mitigation measures put in place.

As for employee-related matters, another risk identified by the sector is occupation healthy and safety. With this in mind, Neolith Group has deployed a Safety-First program, focusing on health and safety concerns, and Board meetings typically start with this item on the agenda. The Health and Safety Policy was also updated during the year to reflect the Company's commitments in this realm. This policy is delivered to all new employees and is there to nurture their professional development. These measures, which are explained in detail in the chapter on personnel, effectively ensure the highest possible level of protection for our employees, partners and customers at all times.

Strategy and growth

The corporate governance team has a long-term strategy in place that has been closely monitored and tracked as the COVID-19 pandemic runs its course.

This has allowed us to seize opportunities and reposition the Group as and when needed. Furthermore, the prevailing regulatory environment, which has become increasingly restrictive, has had no significant effect on Neolith Group, thanks to the commitment we have shown over the years to ensuring good corporate governance.

Meanwhile, we have been working hard with the entire supply chain to identify and understand future demand and opportunities with the aim of further expanding our target market in line with our current growth strategy. And let us not forget the people who make up Neolith Group, whose main risk and concern is safety. Here, we have focused on lowering the accident rate and striving to ensure better and safer conditions for our workers.

The sector needs to reduce ESG risks through measures, actions and new revenue streams in the long run. Indeed, the growth of the sector and the Company should be predicated not only on economic aspects, but also on environmental and social concerns, as well as the impact on the environment.

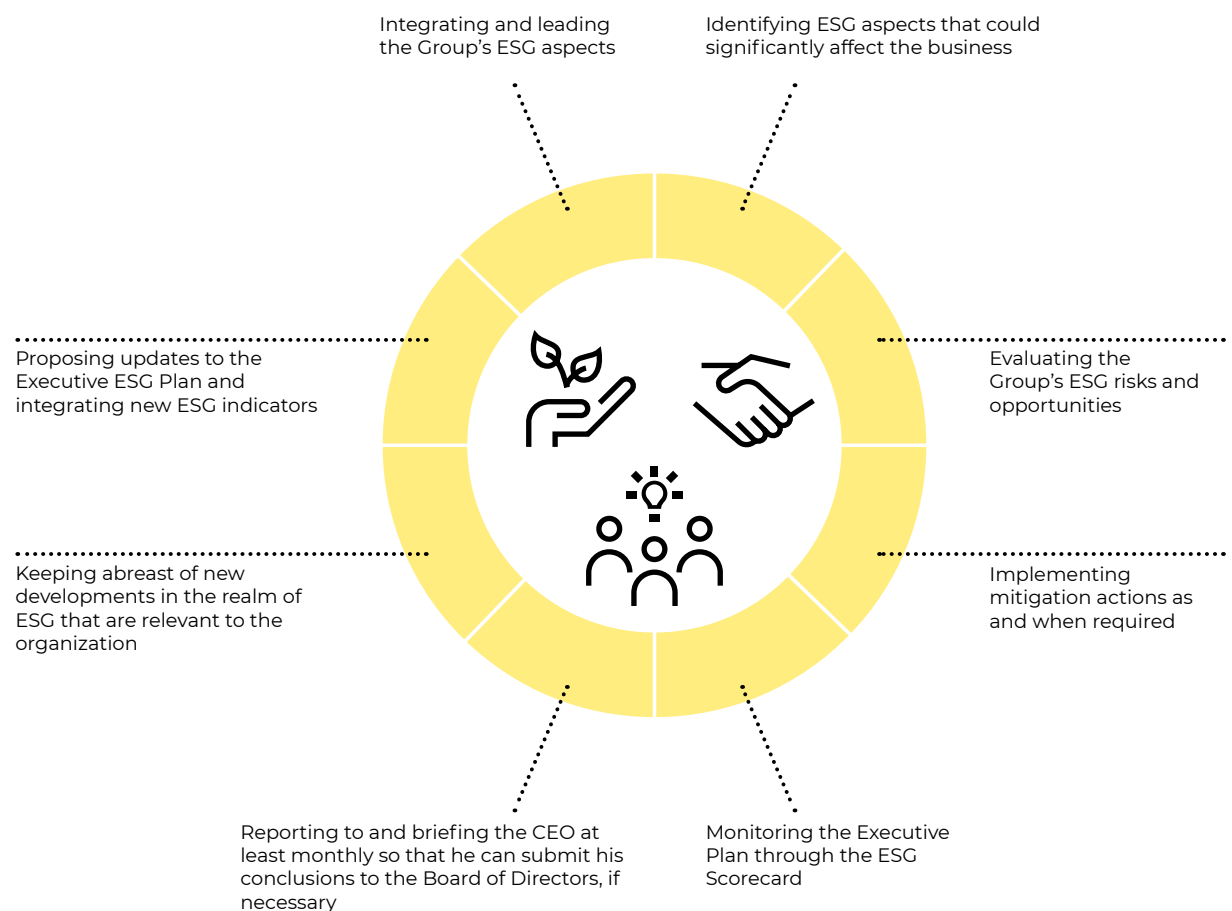


Risk management

Neolith Group has rolled out various measures to identify, assess, prevent and mitigate significant risks to the Company. For example, it has drawn up new policies and principles or, as the case may be, reviewed existing codes and policies. In 2021, this included: Review of the Code of Ethics, Code of Conduct (both internal and for suppliers), Global ESG and Sustainability Policy, Health and Safety Policy, Conflict of Interest Policy, Procurement Policy, Anti-Fraud Principles, Anti-Money Laundering Principles, Anti-Trust Policy and Quality and Environmental Policy.

The Board of Directors is ultimately responsible for overseeing specific ESG risks. This oversight role is delegated to the Audit Committee, which has been entrusted with various important duties. There are also other functions or roles that play a key role in managing and mitigating business risks.

First, the Compliance Officer acts as our regulatory compliance body and reports to the Audit Committee. This single-person body oversees compliance with the Group's policies and rules, including the regulations applicable to each business unit, ensures adequate training in compliance and manages our ethics channel. Second, the ESG Committee is a permanent executive body tasked with effectively integrating the ESG Action Plan across the Group's various functions by carrying out the duties described earlier in this report. The committee also has remit over the following matters in accordance with its original charter:



Risk strategy

Neolith Group's organization and governance model views risk management as a key planning tool. The Board and the Senior Leadership Team work closely together to pinpoint potential risks.

Specific mitigation measures and controls are identified for these risks and tested annually. Risks are controlled and monitored by each area manager and is part of his or her specific remit, although the Compliance department also conducts an annual test of a significant sample of measures and controls.

CLASIFICACIÓN	RIESGOS
Contextual risks	<ul style="list-style-type: none">• COVID-19: cierre de mercados; restricción de movilidad, etc.• Impacto de subidas o bajadas de precios• New regulatory changes
Financial risks	<ul style="list-style-type: none">• Fluctuations in foreign exchange rates and interest rates on borrowings• Breach of covenants under financing agreements
Strategic risks	<ul style="list-style-type: none">• Possible delays in the expansion plan (openings, new markets, etc.)
Operational risks	<ul style="list-style-type: none">• Possible interruption of the manufacturing process• Threat of cyberattacks and security breaches in information systems• Legal non-compliance risk• Risks relating to the supply of materials due to supply chain availability and impact on prices
ESG risks	<ul style="list-style-type: none">• Human rights violations and fair working conditions along the supply chain• Worker health and safety• Risks related to the implementation of the corporate governance model as part of the corporate expansion process

Responsible governance

Neolith has made further progress toward its strategy of strengthening corporate governance by successfully testing how its various internal committees and bodies function. A new delegated authority matrix for the Group was approved in March 2021. Finally, in 2020 the Group conducted its first materiality survey and ESG (Environmental, Social & Governance) strategy and action plan, geared toward the growth of the strategy.

These milestones will enable the Group to reduce risks and generate new long-term revenue streams for the Company. These figures and milestones are explained in more detail throughout the report, including policies, procedures, risk management systems and the results and indicators obtained in each area.

To enable closer monitoring and control of the policies, the CEO and the other members of the Senior Leadership Team have set up several monthly monitoring committee meetings for each area: innovation, quality, expansion, ESG, investment, operations, and regional business units, all of which are focused on aligning Neolith Group's sustainable growth plans with customer satisfaction and sector leadership in innovation.

Neolith has various corporate ESG policies enabling it to control the main impacts and risks associated with its activity and ensure healthy relations with all stakeholders.

The Group has also continued to draw up new policies to provide adequate control and clear guidelines for employees. The results of these policies are described in the relevant sections of this report.

AREA	MAIN POLICIES AND PROCEDURES
CORPORATE GOVERNANCE	<ul style="list-style-type: none"> • Authority Matrix for the Board and Senior Management • Audit Committee Policy • Code of Ethics • Whistleblowing Channel Procedure • Anti-money Laundering and Counter Terrorist Financing Policy and Procedures • Conflict of Interest Policy • Anti-Trust Policy • Anti-Fraud Principles • Anti-Money Laundering Principles • Data Protection Policy and Procedures • Crime Risks Matrix
ESG	<ul style="list-style-type: none"> • ESG Policy and main commitments • Quality and Environment Policy
Operations	<ul style="list-style-type: none"> • Specific procedures on hazardous waste, non-hazardous waste, chemical storage and air emission control
Procurement	<ul style="list-style-type: none"> • Supplier self-assessment, including environmental and social aspects • Currently in the process of drawing up a Procurement Policy that embeds social and environmental criteria
Human resources	<ul style="list-style-type: none"> • Performance appraisal • Compensation and Benefits Policy • Digital Disconnect Policy • Equality and Diversity Policy • Equality Plan • Internal Communication Policy • Scholarship Policy • Performance Management and Targets Policy • Recruitment, Training and Onboarding Policy • Loans and Advances Policy • Training and Development Policy • Training Plan • Travel Management Policy • Travel Expense Policy • Company Car Policy • Selection, Hiring and Onboarding Policy
Health and safety	<ul style="list-style-type: none"> • Zero-Accident Plan • Occupational Risk Prevention Policy • Health and Safety Policies and Procedures

BOARD OF DIRECTORS

The Board meets at least quarterly to manage, supervise and control the Group's strategy, corporate governance and business plans.

Under its motto of "Safety First", Board meetings invariably begin with the executive directors delivering reports on issues related to the health and safety of the Group's stakeholders, especially its employees and customers. The Board then addresses ESG-related aspects, such as investments in energy efficiency, how to improve product sustainability and strategies for reducing its carbon footprint. Then the Board reviews financial, operational, sales and marketing and investment plan aspects, along with any significant concerns relating to regulatory compliance.

SENIOR LEADERSHIP TEAM

The Senior Leadership Team comprises individuals vested with decision-making powers from the Board of Directors to govern the various business units. In 2020, Neolith set up an ESG Committee as part of the SLT tasked with discussing issues related to non-financial reporting.

The committee is responsible for supervising and monitoring environmental, social and corporate governance aspects within the course of the Group's day-to-day operations. It meets periodically and reports to the Audit Committee at least once every three months, or as and when required for particularly relevant matters.

Three main roles have been defined to discharge the duties described in the section on risk management, with authority to address and act on these aspects.

This structure is aligned with best practices in segregating the task of overseeing and integrating ESG aspects, while also ensuring that these roles report their results and findings in due course.

Therefore, the ESG Committee comprises the following roles as part of the Group's Senior Leadership Team:

- **CHIEF PEOPLE OFFICER (CPO)**

With authority to monitor and control labor aspects, including those relating to the Group's workforce and human capital.

- **CHIEF INNOVATION AND TRANSFORMATION OFFICER (CTO)**

With responsibility for safety, health, quality and sustainability.

- **CHIEF LEGAL OFFICER (CLO)**

With responsibility for corporate governance functions. The CLO acts as Compliance Officer within the organization, so he or she may sit on the ESG Committee in relation to regulatory compliance and interpretation of Neolith Group policies and principles, as and when required.

The main instrument for managing ESG actions is the ESG Action Plan, which is explained in the section on our commitment to sustainability.

The Action Plan includes objectives, indicators and actions that are monitored on a regular basis. The committee also conducts a quarterly assessment of ESG indicators and their alignment with the overall strategy and flags ESG concerns that should be tracked, while also identifying any new indicators that may prove necessary.

The ESG Committee meets quarterly, with the attendance of external advisors if deemed appropriate.

EQUIPO EJECUTIVO 2021



José Luis Ramón
Chief Executive Officer



José Manuel Romero
Chief Financial Officer



Daniel Sánchez
Chief Commercial
Officer & Vice President
Europe, Latam & Africa



David Bueno
Chief Transformation
& Innovation Officer



Oliver de la Rica
Chief Marketing Officer



Óscar Sanchís
Chief People Officer



Francisco Mateu
Chief Legal Officer



Víctor Fernández
Chief Manufacturing
Officer



Marcelino González
Chief Supply Chain
Officer



James Amendola
Vice President North
America



Ross Cameron
Vice President Asia &
Oceania



Jin Peng
Vice President Greater
China

 Environmental, Social and
Governance Committee

 Regulatory Compliance
Body

 Audit Commission

Green impact

MAIN IMPACTS AT EACH STAGE OF THE PRODUCT LIFE CYCLE

Neolith is aware of the environmental impact of its various activities, mainly the production and distribution of its products. It is not only Neolith that generates this impact and consumes resources, but also its value chain. With that in mind, Neolith addresses any impact caused along the value chain by focusing on environmental management and the relationship with social and economic aspects.

Neolith Group has set up an R&D department to draw up the Company's decarbonization program.



EMISSIONS OFFSET

Greenhouse gas emissions



MANUFACTURING

Greenhouse gas emissions
Water and energy consumption
Waste generation



RAW MATERIALS

Impact on Biodiversity
Use of land
Consumption of raw materials



DISTRIBUTION AND TRANSPORT

Greenhouse gas emissions
Impact on air quality



LIFE CYCLE

Waste generation
Energy consumption in grinding and
recycling processes

KEY ENVIRONMENTAL FIGURES AND MILESTONES

Neolith aspires to maximize resource efficiency and is committed to the use of new technologies. The main resources needed for the Group's activities are raw materials and energy, mainly electricity and gas. The Group monitors and controls water consumption so as not to waste this precious resource through its activities.

Neolith Group surpassed pre-COVID-19 production levels while achieving a significant reduction in emissions

96%
waste sent to recycling
centers

90%
recycled content

TCFD
risk assessment

2,802 ton
of Scope 1 CO₂ emissions
offset

100%
water recycled

730
trees planted

€459,680
invested in environmental
protection

Environmental management and certifications

The Environment Department was set up in 2018 and has been working hard since then to accelerate the Group's environmental management. Neolith's environmental management system is ISO 14021 certified, with third-party assurance. The Group has also successfully renewed its ISO 14021 certification.

An audit was carried out in 2021 to certify the Environmental Product Declaration. This process involved analyzing the Group's impacts on the product life cycle and earned it the certification in early 2022. The Cradle to Cradle certification process was also initiated during the year and the Declare certificate (International Living Future Institute) was obtained. Moreover, a global strategy was put in place to earn Gold product certification in friendly materials via the introduction of NeolEAT technology.

The Sustainability Policy was also drawn up in 2021, showing the Group's commitment to the environment and adherence to the Ten Principles of the UN Global Compact. Neolith also draws up quarterly and annual ESG reports for shareholders, offering relevant data for the entire Neolith Group and helping to ensure sound ESG performance and continuous improvement, which may also be relevant at corporate level.



GREENGUARD CERTIFICATION

Certifying that Neolith meets the relevant chemical emission limits, thus contributing to a healthier environment.



GREENGUARD GOLD CERTIFICATION

Ensuring that Neolith is suitable for use in environments such as schools and healthcare facilities.



CE (COMISIÓN EUROPEA) CERTIFICATION

Ensuring that Neolith is compliant with European safety, health and environmental protection requirements



LEED POINTS EARNER

LEED provides third-party verification of sustainable buildings. Neolith meets the preliminary safety requirements and earns points to help consumers reach the desired level of certification for their home or commercial project.



MEMBER OF THE U.S. GREEN BUILDING COUNCIL (USGBC)

The USGBC, a council supervised by LEED, brings together defenders of sustainable policies and practices.



HEALTH PRODUCT DECLARATION

Neolith has a declaration of product components showing they have no impact on health.

FRIENDLY MATERIALS (GOLD)

Certifying that Neolith is free of Alert List substances and of VOC emissions (zero emissions).



ISO 14001

Certifying that the Company has an environmental management plan in place that addresses: environmental objectives and goals, policies and procedures to achieve those goals, clearly defined responsibilities, staff training activities, documentation and a system to monitor any changes and progress made.

Environmental management along the supply chain

Neolith knows full well that extracting raw materials generates an environmental impact. It has pledged to reduce its environmental impact throughout its value chain and therefore seeks to mitigate any human rights non-compliance risks that might threaten the chain. To achieve better control and closer monitoring of the supply chain, Neolith Group updated the terms of reference of its procurement department in 2020 to centralize supplier relationship management and monitoring, both nationally and internationally. Key actions carried out by the department 2021 included:

- Reviewing the list of Neolith Group suppliers and the extent of their geographic concentration.
- Segmenting procurement into categories, by type of material.
- Adapting the previous system to SAP (current).
- Coming up with a procurement strategy for the coming years.
- Assigning a member of the Senior Leadership Team to the procurement department to bolster the function and afford it the strategic importance it represents for the Group.

Neolith Group has embedded ESG criteria in its supplier approval process. The Company has successfully incorporated environmental aspects into its Quality Handbook, Code of Conduct and Procurement Policy with respect to suppliers (see 'Responsible product management' section).

Investment in environmental protection at Neolith Group amounted to €352,000 in 2020. In 2021, investment in environmental protection for own personnel came to €67,704, while spending on partners for environmental protection amounted to €391,976.

In 2021, Neolith Group took out environmental liability insurance, which it renews annually, covering up to €3 million per claim per year. In addition, the Group has two employees and 15 suppliers solely engaged in environmental duties.

The Company is exempt from providing further guarantees as it has obtained a low risk rating under the environmental risk assessment.

Procurement insists that all new suppliers undergo a self-assessment in relation to environmental and other ESG factors before any contract can be signed. This is because Neolith Group knows that the extraction of raw materials has a high impact on biodiversity, soil degradation and erosion and also carries a risk of non-compliance with ILO standards.

These self-assessment forms require the Company to disclose the ESG objectives, environmental impact measurement systems and environmental policies it has in place. This self-assessment system allows the Group to establish open and direct communication with its suppliers and work with them to reduce impacts during the extraction phases.

Moreover, Neolith Group is working to improve its control over the supply chain by implementing a supplier selection and approval system. This will ultimately afford it greater knowledge and control of its suppliers.

Sustainable use of resources

Neolith is predominantly made from minerals of natural origin. Neolith Group purchases these minerals to manufacture sintered stone. Sold products are transported on metal and wooden trestles or packed in cardboard boxes. To minimize its consumption of raw materials, Neolith Group has stepped up the recycling of raw materials during the production process. As a result, total consumption in 2021 was below the level reported in 2020, despite an increase in total net production. Neolith Group remains firmly committed to sustainability by using wood-derived packaging products certified by the Forest Stewardship Council (FSC).

WATER CONSUMPTION

The manufacture of sintered stone is not especially water intensive. Part of the water used during the production process is recirculated for subsequent reuse. All of the industrial water consumed at the facilities is reused internally or by a third party, meaning that Neolith Group has zero water discharge.

WATER CONSUMPTION	2020 (m ³)	2021 (m ³)
Mains water (m ³)	18,752	37,352
Water tank acquired (m ³)	220	0
Total	18,972.2	37,352

There are three water purifiers to treat the water consumed at the Group's facilities. These water purifiers collect the water used during the various production processes and recover it via physical/chemical treatment so that it can be reintroduced into the process. Water that cannot be treated or reintroduced is valorized by external expert management companies. What this means is zero industrial discharge. Water consumption is monitored and controlled through lists that show total quarterly consumption and the ratio of water consumed per metric ton of production. It was not necessary to purchase a water tank in 2021, as all the water consumed was taken from the mains network.

ENERGY CONSUMPTION

One of Neolith's main objectives is to become more energy efficient. The main types of energy consumed during the production process are natural gas (88%) and electricity (12.40%). Bottles of propane and diesel fuel are also used.

ENERGY CONSUMPTION ¹	2020	2021
Electricity consumption (kWh)	21,687,045	22,832,824
Gas consumption (kWh)	144,297,739	161,263,883
Diesel fuel consumption (L) ²	52,219	38,263
Propane consumption (kg) ³	1,408	1,342
Total energy consumption (kWh) ⁴	166,520,598	184,493,473

Note 1: Includes all Group centers except Ireland.

Note 2: The conversion factor from liters to kWh is 9.9, with a total of 516,967 kWh consumed in 2020 and 378,803 kWh in 2021.

Note 3: The calorific value of propane gas is 13.385 kWh/kg, with a total of 18,846 kWh consumed in 2020 and 17,963 kWh in 2021.

Note 4: The figure for 2021 is different to the figure for 2020 as the conversion of diesel and propane to kWh has been recalculated.

Projects carried out in 2021 to improve energy efficiency include:

- Replacing conventional lighting with more efficient technology (LED) on the outside.
- Coating furnaces to prevent heat loss.
- Implementing an O2 control system at the combustion burners and pressure control systems at furnaces 2 and 3.
- Deploying a monitoring platform to optimize process consumption.

The Group has become more efficient in managing resources, having improved both turnover and EBITDA while keeping energy consumption virtually unchanged.

These projects will lead to a reduction in gas consumption and, therefore, a reduction of pollutants emitted into the atmosphere. In addition, by offsetting CO2 emissions (which now includes the Carbon Footprint Calculation for Scope 3 emissions under the GHG protocol), reducing energy consumption and acquiring Guarantees of Origin, Neolith is looking to further reduce its environmental footprint, despite the increase in business reported in 2021 and likely further increases moving forward.

Following on from previous years, Neolith Group will acquire a certificate showing that all of the electricity it procures for its Castellón plant is 100% renewable.



Climate action

Neolith Group works hard to achieve climate neutrality of its carbon footprint through carbon offsetting projects designed to reduce the Company's environmental impact. It focuses on monitoring, improvement actions and carbon offsetting. This offsetting activity is channeled through three main initiatives:

- Purchasing renewable electricity certificates.
- The "Neolith Forest" carbon offset project, involving the planting of 730 additional trees.
- Acquisition of CO₂ emission allowance certificates based on projects in Guatemala and Canada to offset Scope 3 emissions (26,581 metric tons).

Neolith Group is acutely aware of the need to tackle the climate crisis and, to succeed in this task, has made various investments to reduce emissions across its operations. The measures it has taken are wide-ranging and include reducing the frequency of board shipments, condensing the supply chain, incorporating air-purifying surface finishes and creating a solvent-free decorating technology. It has also launched initiatives to further reduce its carbon footprint by offering suppliers and customers alike the option to offset their carbon footprint in the marketplace. This project will be possible thanks to the full calculation of Scope 3 emissions.

A TCFD risk assessment was conducted in 2021, revealing the following climate change risks:

- An increase in carbon prices could pose a high risk to the Company due to the relatively high volume of emissions in both the manufacture and transportation of its products.
- Drought and water stress would carry a high risk of business interruptions, with the potential to bring manufacturing processes to a standstill.
- Extreme heat would carry a high risk due to the increased operating costs needed to maintain safe working conditions.

Neolith Group has a comprehensive carbon footprint calculator, including all Scope 3 categories applicable to the Group (12 of 15 categories). Using this tool, Neolith Group is able to quantify, evaluate and monitor its environmental impact and its contribution to climate change, while also acquiring certified credits for offsetting. Work is currently underway to incorporate all Scope 3 categories and extend the calculator to all Neolith Group centers outside Spain. This will effectively reveal the emissions generated by the entire value chain and allow us to pinpoint where along the chain there is the greatest risk of climate transition. No fines or sanctions were imposed during the year.

CARBON FOOTPRINT

SCOPE ⁵	2020 (TONS CO ₂ EQUIVALENT)	2021 (TONS CO ₂ EQUIVALENT)	CHANGE - FY20 VS FY21
Scope 1: Direct GHG emissions	29,382	29,519	0%
Scope 2 (market-based): Indirect GHG emissions associated with electricity	0	0	0%
Scope 2 (location-based): Indirect GHG emissions associated with electricity	4,743	5,709	20%
Scope 3 (market-based): Other indirect value chain emissions	36,698	65,973	78%
Scope 3 (location-based): Other indirect value chain emissions	37,874	67,781	77%
Total (market based)	66,007	95,492	43%
Total (location based)	71,926	103,009	42%

Note 5: CO₂ equivalent emissions have been calculated using emission factors from MITECO (Version 22), DEFRA (2021) and following the GHG Protocol calculation standard.

This calculation has been made following the GHG Protocol standard and includes categories 3.1 to 3.12 of Scope 3.

While Scope 3 emissions increased during 2021 following an increase in sales abroad, total consumption remained on a par with 2020.

CO₂ EMISSIONS IN 2021

The same level of Scope 1 emissions as during COVID-19 was maintained during the period.

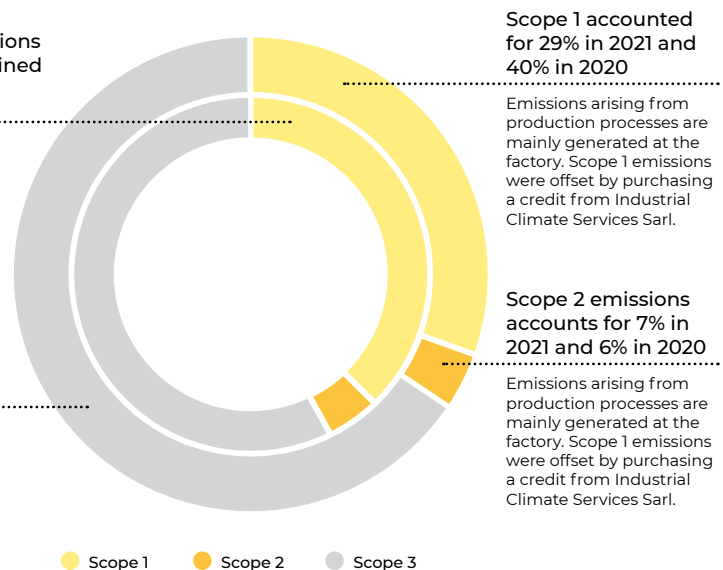
Quieter levels of business during the COVID-19 pandemic led to a reduction in emissions, although Neolith was already taking steps to reduce its emissions. As a result, its emissions post-COVID are substantially the same as those reported during the pandemic.

Scope 3 emissions accounted for 66% of the total in 2021 and 53% in 2020.

Neolith Group's greenhouse gas emissions into the atmosphere occur along the value chain, more precisely at the manufacturing plant and during the transportation of the products.

Scope 3 emissions have increased since 2019 following the purchase of a new atomizer.

This has been made possible thanks to the calculation of all applicable categories according to the international standard for calculating greenhouse gas emissions, namely the Greenhouse Gas Protocol.



Since 2020, Neolith has gone a step further by calculating the carbon footprint of its value chain, counting all applicable categories (12 out of 13) under the International GHG Protocol standards. This is relevant for the Group because it allows us to pinpoint those links along the value chain which generate the most emissions and which, therefore, should be the focus our efforts to reduce them.

SCOPE 3 CATEGORIES ⁶	2020 (TONS OF CO ₂ EQ)	2021 (TONS OF CO ₂ EQ)
3.1 Purchased goods and services	10,675	5,281
3.2 Capital goods purchased	1,987	982
3.3 Fuel- and energy-related (market-based)	8,166	15,937
3.3 Fuel- and energy-related (location-based)	9,320	17,707
3.4 Transportation and distribution (upstream)	5,736	31,921
3.5 Waste generated in operations	177	177
3.6 Business travel	569	1,093
3.7 Employee commuting	23	16
3.8 Leased assets (upstream) (market-based)	49	59
3.8 Leased assets (upstream) (location-based)	71	97
3.9 Transportation and distribution (downstream)	8,821	10,272
3.10 Processing of sold products	16	24
3.11 Use of sold products	56	45
3.12 End-of-life treatment of sold products	419	163
3.13 Leased assets (downstream)	0	0
3.14 Franchises	0	0
3.15 Investments	0	0

Note 6. CO₂ equivalent emissions have been calculated using emission factors from MITECO (Version 22), DEFRA (2021) and following the GHG Protocol calculation standard.

Neolith Group has had 19 fully legalized emission sources since 2020. It honors the terms of its Integrated Environmental Authorization (IEA) by regularly reporting the various types and quantities of substances emitted. Most of its emissions are produced by the flue gas extraction stacks at its natural gas furnaces.

As part of its ongoing efforts to further reduce its carbon footprint, the Group intends to calculate its carbon footprint down to the last mile and offer suppliers and customers alike the option to offset their carbon footprint in the market. This project will be possible thanks to the full calculation of Scope 3 emissions.

By calculating its carbon footprint each year, Neolith Group is able to find ways to achieve climate neutrality. In 2021, it was successful in offsetting 2,802 metric tons of CO₂ equivalent of its Scope 1 direct emissions by purchasing a credit from Industrial Climate Services Sarl. These efforts illustrate the Group's awareness of the pressing need to address the climate crisis.

WASTE MANAGEMENT

The aim of the circular economy is to keep the value of products, materials and resources circulating within the economy for as long as possible, while minimizing waste generation.

Neolith Group is working towards a circular economy. To succeed in this endeavor, the environment department measures key indicators on a monthly basis to track waste generation and consumption at the Group's facilities.

To better manage the waste generated at its facilities, Neolith Group applies measures related to the 3Rs (Reduce, Recycle and Reuse). Zero waste certification is expected to be earned in 2022. A hazardous waste minimization plan is also rolled out every four years.

The waste generated directly during the product manufacturing process at the production and atomization (spraying) plant is mainly the rejected material produced while processing raw materials in any form ahead of the sintering process, as well as sintered product waste (shard) with and without mesh, sludge from the wastewater treatment plants, aqueous suspensions, cardboard, plastic and wood. Residual waste includes catalyzed resin, contaminated plastic/cardboard/metal packaging, plastic and rubber, ink waste, organic solvent, used oil, isocyanates, calcium hydroxide, furnace glass wool and other contaminated material. Most of the waste is generated during the product manufacturing process. Waste continues to be managed during maintenance shutdowns, as the production area is thoroughly cleaned.

WASTE GENERATED		2020 (TONS)	2021 (TONS)
Non-hazardous waste	Rejects	13,454	4,800
	Shard with mesh	3,092	3,471
	Shard without mesh	5,239	6,697
	Aqueous suspensions	5,215	11,112
	Other waste	1,055	5,925
	Total	28,055	32,006
Hazardous waste	Adhesives and sealants	64	60
	Contaminated IBCs	72	46
	Other	36	34
	Total	172	140
TOTAL		28,227	32,146

In line with the list of valorization or elimination pathways proposed by Spanish Law 22/2011 on waste and contaminated soil, the waste generated by Neolith is managed as follows:

WASTE TREATMENT	2020 (%)	2021 (%)
Valorization pathways	89%	96%
Elimination pathways	11%	4%

In 2021, Neolith continued to work toward increasing the amount of waste recovered, which was 7% more than in 2020 to give a waste recovery rate of 96%, while simultaneously reducing the quantity of waste sent to landfill. Here, it achieved a significant reduction in the amount of total waste sent to landfill compared to 2020.

The company will continue to work towards Zero Waste certification.

Protection of biodiversity

No actions are taken to combat food waste as, given Neolith's activity, it not considered a material aspect.

Neolith Group's manufacturing processes largely take place on an industrial estate. All other activities are carried out at logistics or distribution centers in the city, meaning the Group's direct activities have no impact on biodiversity.

Even so, the Group continues to lend its support to the carbon footprint offsetting project known as Neolith Global Forest. In 2021, it planted a total of 730 trees, thus promoting biodiversity in different countries across Latin America and Africa.

With the aim of protecting the planet's biodiversity, Neolith Group has also joined a new global ecological initiative that seeks to protect the natural environment by planting 300 trees in some of the world's most threatened and fragile ecosystems. More precisely, Kenya, Cameroon, Haiti and Ecuador have been selected for this agroforestry project.

This reforestation campaign, spearheaded by Treedom, aims to recognize Neolith Group's partner network for its invaluable work by planting a tree for each partner.



LEADING INTERNATIONAL ARCHITECTS THAT HAVE PLACED THEIR TRUST IN NEOLITH FOR THEIR PROJECTS



RCR ARQUITECTES -
PRITZKER PRIZE, 2017



GENSLER



LÁZARO ROSA-VIOLÁN



ESTUDIO OAB CARLOS FERRATER,
PREMIO NACIONAL DE
ARQUITECTURA, 2009



HADI TEHERANI



ESTUDIO LUIS VIDAL + ARCHITECTS



ESTUDIO JUAN HERREROS



MANICA ARCHITECTURE



MARCIO KOGAN

SOME OF THE WORLD'S TOP CHEFS HAVE INCLUDED NEOLITH IN THEIR RENOWNED RESTAURANTS



Grant Achatz,
ALINEA, Chicago, USA
🌿🌿🌿 MICHELIN 2022



Jordi Cruz
ABaC, Barcelona, ES
🌿🌿🌿 MICHELIN 2022
ATEMPO, Barcelona, ES
🌿 MICHELIN 2022



Hermanos Roca,
EL CELLER DE CAN ROCA, Girona, ES
🌿🌿🌿 MICHELIN 2022



Italo Bassi,
CONFUSION, Porto Cervo, IT
🌿 MICHELIN 2022



**Juan Amador, AMADOR WIRTSHAUS
& GREISLEREI, Viena, AT**
🌿🌿 MICHELIN 2022



Paco Perez,
MIRAMAR, Llançà, Girona, ES
🌿🌿 MICHELIN 2022



Sebastian Frank,
Horváth, Berlin, GE
🌿🌿 MICHELIN 2022



Hans van Wolde
BELUGA LOVES YOU, Maastricht, NE
🌿 MICHELIN 2022



Albert Adrià,
ENIGMA, Barcelona, ES
🌿 MICHELIN 2021

Whitehaven



Responsible corporate culture

NEOLITH'S KEY EMPLOYMENT PRINCIPLES

Neolith Group has built four key principles of labor management into all areas of its corporate culture, basing its growth strategy on people:



NON-DISCRIMINATION

For reasons of gender, age, religion and/or ideology, or ethnicity.



DEVELOPMENT AND TRAINING

Performance management and continual improvement



EMPLOYMENT CONTINUITY

Internal promotion and horizontal mobility within the Company



WORK-LIFE BALANCE AND FLEXIBILITY

Flexibility and optimal working conditions

KEY QUANTITATIVE DATA ON EMPLOYEES

665

total employees at year-end

88%

average permanent contracts

99%

full-time contracts

89%

employees covered by collective bargaining agreement

66%

employees participating in the first climate and engagement survey

3.343

total hours of training

KEY QUALITATIVE DATA ON EMPLOYEES

Neolith Group invested €207,248 in prevention measures in 2021 to ensure the occupational health and safety of all of its employees.

Fostering engagement and professional development among the people who make up Neolith Group is one of the organization's key goals. People committed to the mission, values and strategic objectives are the Group's main asset.



Drafting of the Performance Appraisal and Management by Objectives Policy

Drafting of the Selection, Recruitment and Onboarding Policy

Drafting of the Digital Disconnect Policy



Implementation of an integrated HR management system



Drafting of the Training Plan

KEY QUALITATIVE DATA ON OCCUPATIONAL HEALTH AND SAFETY



Occupational health and safety policy drawn up



Training and awareness-raising about crystalline silica



Updating of the product safety data sheet (crystalline silica concentration of less than 9%)



Zero-accident plan drawn up

12.75
frequency rate

0.48
severy rate**

0
occupational diseases

All Neolith Group employees work in accordance with the principles enshrined in the Code of Ethics approved in January 2017 by the Management Committee. The code contains a raft of guidelines that all directors, executives, control bodies and, in general, all personnel and third parties (including agents, distributors and associates) must observe so as to ensure that they behave ethically and appropriately when going about their work.

The Code of Ethics also insists on the principle of due diligence among employees in order to prevent, detect and eradicate any irregularities stemming from possible breaches of the code. Neolith therefore upholds and fosters compliance with human and labor rights by promoting non-discrimination, equal opportunities and compliance with applicable labor standards, with zero tolerance for any form of violence, harassment or abuse.

The Code of Ethics was ratified in August 2021 and applies across the entire organization.

Various policies and procedures governing key processes at the People department were developed and approved in 2021, with the aim of improving the day-to-day working conditions of all employees and their relationship with the Company. These include the Health and Safety Policy and the Occupational Risk Prevention Policy.

Neolith Group bases its growth strategy on people. Therefore, HR management centers on the following key concerns:



In conjunction with these key aspects, Neolith has set a series of HR objectives for 2022 to further strengthen its people-focused growth strategy:

- Creating an action plan based on the results of the Climate and Engagement Survey
- Improving absenteeism and employee turnover indicators
- Improving the ethics channel and suggestion box
- Improving the talent management system and development plans
- Establishing and auditing HR processes
- Reducing temporary employment

Formal communication with employees

When it comes to employee relations, Neolith Group engages in ongoing and fluid communication with the workers' representatives. Pursuant to Spanish Organic Law 11/1985, of August 2, which guarantees the right of employees to freely organize in order to promote and defend their economic and social interests, the Group has a works council in place, comprising one union member and eight workers' representatives (this number may fluctuate if a representative leaves the Company, though only until a replacement member is found).

As there are various communication channels available, the Group has decided to formally set out its procedures for communicating with employees by drawing up an internal communication policy, which describes the various communication channels in place and the actions undertaken so that all employees have access to all the information they need to perform their duties.

CANALES DE COMUNICACIÓN	
Town Hall	All employees are invited to take part in a quarterly event at which the Senior Leadership Team explains the Company's main strategic lines and results. At this event, employees are able to raise any questions or doubts they may have.
Neospaper	Every quarter, the Company's latest news and main initiatives are published in a digital magazine that is sent out to all employees.
Internal newsletters	Digital newsletters are sent via email containing relevant information about the brand and all the latest news.
Suggestions mailboxes	All employees, regardless of level or category, are able to voice their concerns and make suggestions for improvement anonymously.
Ethics (whistle-blowing) channel	There to ensure compliance with the law and the rules of conduct set out in the Group's Code of Ethics. Complaints and reports are received and handled confidentially by Compliance. The ethics mailbox is compliance@neolith.com .
Neobreakfasts	Each month, different individuals heading up interesting corporate initiatives have an informal working breakfast with colleagues from other departments to explain what their initiative is all about and to answer any questions their co-workers may have.
Other channels	The Group has various channels in place to encourage two-way company/employee communication, including formal meetings and welcome plans.

Neolith Group launched its first climate and engagement survey in 2021, with 66% of all employees taking part.

The purpose of this survey is to:

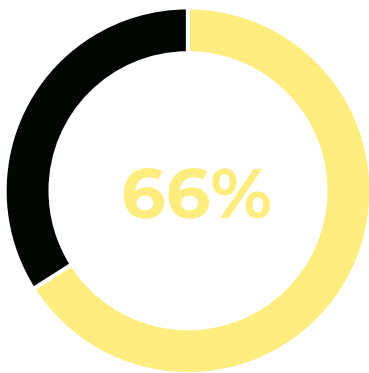
- Gauge levels of employee engagement with the Company.
- Understand how respondents rate key aspects of the Company's culture, including communication management, relationship with managers, teamwork, work-life balance and flexibility, and training and development.

The Group's executive team has analyzed the results with the aim of launching an improvement action plan that will ultimately create a corporate culture based on mutual engagement between the organization and its people and allow the Neolith Group to overcome the challenges in store and successfully undertake this new growth stage in its life.

“We build our company together to shape the environment we work in and our culture”

The survey relies on three main indicators: total participation rate, average satisfaction and net promoter score (NPS). The main findings are as follows:

TOTAL PARTICIPATION

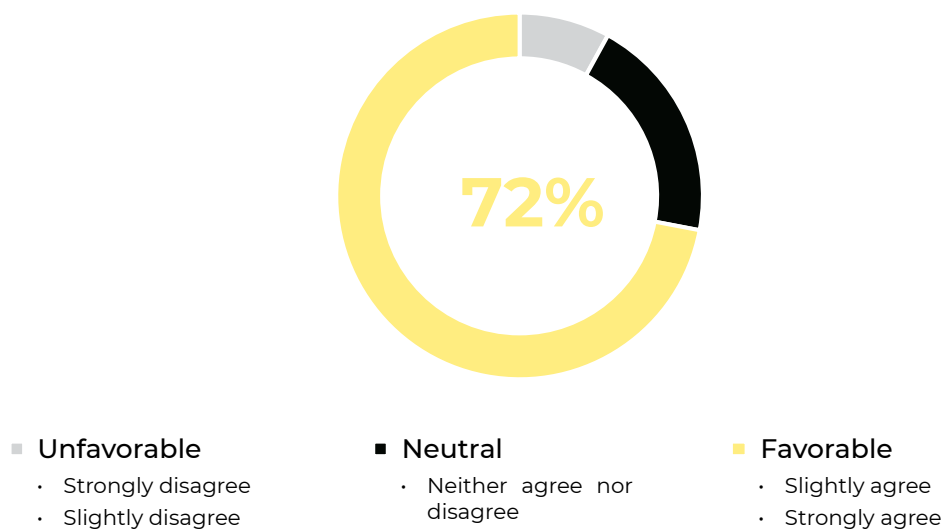


AGE	RESPONDENTS	PARTICIPATION (%)
>45	28	81
45-53	81	68
35-44	152	68
26-34	142	61
18-25	21	68

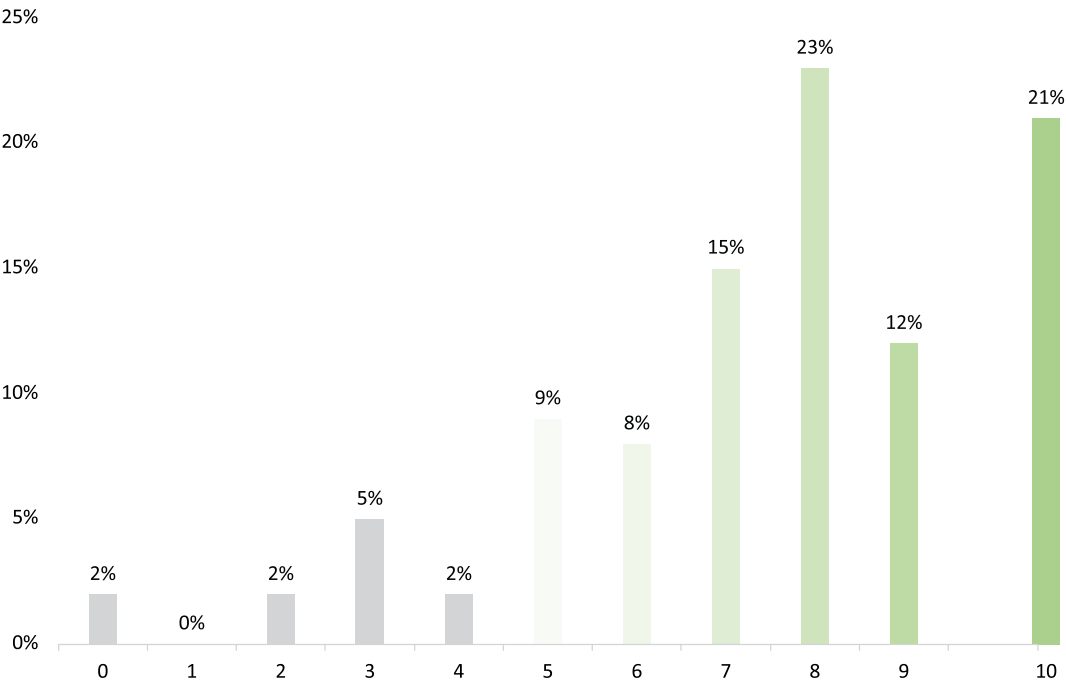
EMPLOYMENT CATEGORY	RESPONDENTS	PARTICIPATION (%)
Directors	26	100
Managers	43	90
Administrative and technicians	135	86
Sales	36	75
Supervisors	26	67
Operators	163	50

GENDER	RESPONDENTS	PARTICIPATION (%)
Women	134	79
Men	291	62

AVERAGE RATE OF FAVORABLE RESPONSES



“I WOULD RECOMMEND NEOLITH GROUP TO FRIENDS AND FAMILY AS A GOOD PLACE TO WORK”



Passion
Innovation
Partnering
Integrity
Inspiration

*Pasión
Innovación
Colaboración
Integridad
Inspiración*



Organization of working hours

Working hours and rest time at Neolith Group are governed by two collective bargaining agreements, covering 98% of all employees. In Spain, where the bulk of the workforce is located, and Italy also, all employees are covered by collective bargaining agreement. For those employees located in other countries, the Group complies with local labor legislation and applicable law and regulations in relation to collective bargaining and worker representation. Of the Group's total employees, 89% are covered under one or other collective bargaining agreement.

Workers who exceed the working hours set out in the collective agreement are compensated in the form of time off or overtime pay. Vacation and comp time are agreed between the employee and the Company.

As part of Neolith Group's pledge to offer a flexible work environment to enhance its employees' performance and well-being, a digital disconnect policy was drawn up in 2021 with the main aim of guaranteeing employees' right to disconnect while not at work.

Any further requests received from employees in relation to their work-life balance or working hours is reviewed individually and on a discretionary basis. Neolith also launched a series of flexible compensation plans in 2021, including restaurant vouchers, childcare tickets and health insurance.

Growing work environment

The Neolith Group workforce has grown steadily as the Company has evolved. Thus, in order to face the challenges that lie ahead and seize all of the opportunities in store, the Group made further incorporations of talented individuals at key positions within the Company in 2021, including various expansion, procurement, engineering and managing directors.

At year-end, the Group had 665 workers organized across:



This workforce structure allows the Group to respond to its needs in an efficient and effective manner.

KEY EMPLOYMENT FIGURES

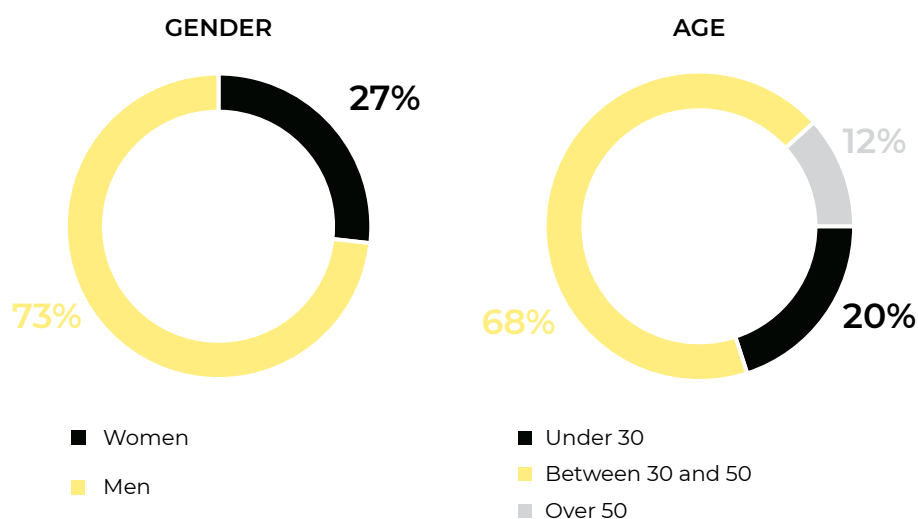
87.3%

Due to the Company's origins and the fact that its production plant is located in Almassora (Castellón, Spain), 87.3% of the Group's employees work in Spain.

12.7%

The remaining 12.7% work at local delegations and representative offices and are largely dedicated to product distribution and marketing.

The total headcount in 2021 was 665, marking a significant increase on the previous year's 545. The following pie charts show the situation at December 31, 2021, broken down by gender, age, country and employment category:



COUNTRY	
Spain	581
United States of America	21
South Africa	19
United Kingdom	15
Poland	8
Italy	7
Hong Kong	5
Australia	3
Sweden	1
United Arab Emirates	1
India	1
Mexico	1
Singapore	1
Austria	1

Neolith Group is committed to job continuity and to building a lasting relationship with its employees, which is reflected in the various types of contract the Company offers. In 2021, the average number of permanent contracts was 88%. Due to the nature of the Group's activities, 99% of contracts in 2021 were full-time, with only 1% in the form of part-time contracts in response to organizational needs. In addition, due to Neolith Group's ongoing international expansion and significant growth, especially in the latter half of 2021, there was a significant increase between the average number of employees during the year and the figure at year-end. The following charts show contracts at December 31, 2021, as well as the average number of contracts during the year.

There was a notable reduction in the number of dismissals in 2021, with 21 (mostly for disciplinary reasons) compared to 27 in 2020.

Neolith Group is committed to the well-being of its employees. It therefore offers fair and competitive remuneration compared to the sector average. In drawing this comparison with the wider sector, the Group relies on surveys and salary studies such as Hays and reports from consulting firms such as Mercer. The average compensation reported below includes the base salary, fixed allowances and bonuses and variable pay received by employees in 2021. In turn, the variable compensation components, as provided for in the Group's compensation and benefits policy, include the bonus payable for achieving sales targets and the bonus for achieving financial targets. This variable compensation is set out in the Group's compensation and benefits policy and ultimately depends on the beneficiary's employment category and department.

When reporting the average compensation payable to executives and directors, the Group also breaks the figures down by gender. The variable part of the remuneration of the Executive Committee (SLT) is conditional on the achievement of a series of targets set by the Company, which include ESG criteria. The bonus percentage linked to Executive Committee compensation was 10% for 2021, rising to 25% in 2022.

EMPLOYMENT CATEGORY	RESULT - 2021
Senior Managers (including department heads)	-15.2%
Middle managers and section managers	0.4%
Technicians and line coordinators	11.9%
Administrative staff and operators	20.2%

For like levels of responsibility, training and experience, the Group compensates all employees equally, regardless of age, social origin and gender. When analyzing the average compensation received by all employees in 2021, the Group also calculated the gender pay gap, revealing a result of 5.3%, a marked improvement from the 15.1% reported in 2020.

In the interests of transparency, the Group also calculated the pay gap by employment category. A positive value in the result indicates a deviation from the median salary for that category in favor of men, while a negative value indicates a deviation in favor of women.



Commitment to health and safety

In its relations with employees, Neolith seeks to ensure compliance with the labor rights recognized in national and international legislation and is firmly committed to applying all applicable law and regulations on adequate working conditions and health and safety in the workplace. In line with its Safety First motto, Neolith runs two prevention services. More precisely, the Group has been running its own In-house Prevention Service (IHPS) since February 2020, specializing in occupational safety, ergonomics and applied psychology. In addition, the Company has an outsourced External Prevention Service (EPS), which monitors and controls hygiene and health surveillance.

Neolith Group drew up its Health and Safety Policy in 2021. The policy was delivered to all employees, including new hires, during the first quarter of 2022. It outlines the Company's commitments in this realm, especially its pledge to uniformly communicate to all stakeholders how the Group is working to ensure the health and safety of its employees.

Aside from the extraordinary meetings, quarterly meetings with the Health and Safety Committee were held throughout 2021. Incidents or concerns are reported by the prevention officers at these meetings so that they can be remediated. Minutes are taken of all meetings and then archived at the Occupational Risks Department.

Neolith Group has an Occupational Risk Prevention Policy to help ensure the health and safety of its employees. This policy is rooted in the fundamental principle of protecting the life, integrity and health of all employees, both our own and those of our partners and collaborators. It also sets out a number of guiding principles that are embedded in other processes to ensure effective communication between employees and the Company, analyze the root causes of accidents and deploy preventive measures, among others aims.

Neolith Group works tirelessly to improve its performance. Indeed, the Group has set itself an assortment of health and safety objectives for 2022:



Implementing ISO 45001 certification



Conducting a psychosocial risk assessment



Training and designating emergency teams and preventive resources



Expanding first aid teams, with more workers to receive training in this area



Adapting changing rooms to crystalline silica regulations, and insisting on the use of FFP3 masks



Developing OHS management software

Neolith Group invested €207,248 in 2021 to ensure that adequate workplace safety measures were in place for all employees.

According to the materiality matrix drawn up in 2021, one of the most relevant issues for the Group is employee health and safety, as was also the case in 2020. One of the main risks related to the Group's activities is employee exposure to crystalline silica during the production process. Neolith is acutely aware of the importance of working actively in this realm in order to minimize the likelihood of these risks materializing. Thus, in order to minimize the risk of employee exposure to silica dust, the Group has implemented a series of mitigation measures, notably:

- Implementation of an industrial laundry service as a preventive measure against crystalline silica.
- Lockers installed where workers can store their clean clothes.
- High-visibility attire delivered to workers.
- Statutory audit of the in-house prevention service.
- Occupational risk prevention policy drawn up.
- Guide of Good Practices drawn up on how to safely handle crystalline silica dust.
- FFP3 respiratory protection compliant with UNE-EN-143 delivered to workers directly exposed to silica dust.

To optimize occupational health and safety conditions, training and information on silica dust was delivered in 2021 to all personnel at the main work center, whether or not they are actually exposed to this substance. Under the Freedom project, Neolith eliminates silica in all its forms. The only silica found in the product is residual from impurities of other materials. This process of reducing exposure to silica can be seen in the December 2021 update of the product safety data sheet, which sets a new silica concentration limit for Neolith products of 9%.

COVID-19 was once again the main external factor in 2021, as it has been for the last few years on a global scale. Neolith has been reporting positive cases since the beginning of the pandemic, doing so separately from its figures for occupational accidents and non-work-related diseases. The number of medical leaves due to COVID-19 is reported weekly to the Executive Committee, with separate disclosures for positive cases (infections) and absences from work due to quarantine as a result of close contacts.

The Group has continued to respond to the ongoing pandemic by maintaining the measures and protocols implemented in 2020, such as reducing the number of people allowed to be present at the same time in dressing rooms, canteens, meeting rooms and training rooms, installing protective screens in office buildings, installing hydroalcoholic gel dispensers, insisting on the use of face masks, administering PCR tests to those who could not be tested through the public healthcare system, and providing antigen testing for all workers who had to travel for work-related reasons.

A contingency plan was communicated to all workers and the Works Council to raise awareness of the measures put in place. Moreover, Group employees were given a QR code providing full information on all the health and safety measures rolled out, thus helping to ensure compliance with the measures so that both the office buildings and the production plant become COVID-19 controlled areas.

KEY HEALTH AND SAFETY INDICATORS

HEALTH AND SAFETY		2020	2021
Number of occupational accidents ⁸	Women	0	2
	Men	2	11
	Total	2	13
Frequency rate ⁹	Women	0	3.86
	Men	2.69	15.80
	Total	2.06	12.75
Severy rate ¹⁰	Women	0	0.03
	Men	0.04	0.63
	Total	0.03	0.48
Frequency rate ⁹	Women	0	0
	Men	0	0
	Total	0	0
Hours of absenteeism	Total	41.227	40.487

Note 8: Accidents with medical leave occurring in 2020 and 2021, excluding accidents while commuting to and from work.

Note 9: The frequency rate was calculated using the following formula: number of occupational accidents multiplied by 1,000,000 and divided by the number of hours worked.

Note 10: The severity rate was calculated using the following formula: number of days lost multiplied by 1,000 and divided by the number of hours worked.

In 2021, the Group established a Zero-Accident Plan, which aims to reduce the current accident rate to zero.

Training and career development

Neolith Group fosters the training of its employees and partners so as to enable and facilitate equal opportunities and career development. The priority is to protect its financial position, equity and human resources and to succeed the Group constantly seeks to unlock the necessary synergies, not only internally, but also with suppliers, partners and customers involved in the business in one form or another. The Group considers the training and career development of its employees to be one of the bedrocks of its business. This is also set out in the Code of Ethics, which enshrines the Group's commitment to improve the training of its employees and partners, while facilitating equal opportunities and career development.

Notably, the Group has developed a training and development policy that describes the process and those responsible for defining and implementing the training plan globally. It also explains the process of defining training needs and, as the case may be, requesting any training actions—whether collective or individual—that may have been left out of the training plan drawn up for each year.

In 2021, Neolith Group developed a training plan for employees to further their career development in a structured manner and enhance their technical, leadership and innovation skills.

One of the Group's objectives in 2022 for improving employee skills is to provide all managers, shift managers and maintenance personnel training on occupational risk prevention.

The aim is to provide 50 hours of basic training in all preventive resources and equipment across all work shifts. A further aim is to expand the first aid and emergency teams by training more employees in these matters. Employees are also offered training in environmental protection, mirroring the Group's commitment in this regard.

In 2021, the Group drew up a performance appraisal and management by objectives policy, which sets out these key processes for improving the performance of Group employees.

The performance appraisal carried out through this system is based on the corporate values and the main related behaviors. The primary aim of this process is to encourage feedback between manager and employee, thus maximizing the employee's ability to have a positive impact on the organization by developing and improving their skills.

As set out in the Code of Ethics, eligibility for different roles and positions at Neolith Group is based on candidates' skills and capabilities and relies heavily on the performance appraisal process to avoid any form of nepotism and ensure that the job goes to the most qualified candidate.

In 2021, Neolith Group embraced digitalization through three main elements:

- Implementation of an integrated HR management system: SAP SuccessFactors, set to finally be launched in 2022, will centralize workforce master data, employee portal access, performance appraisal modules and employee objectives.
- Implementation of SAP Concur to handle the global management of travel expenses.
- Brand management and talent attraction through an employer branding approach on LinkedIn, where the Group managed to quadruple its followers in 2021.

TRAINING		OVERALL FIGURES 2020	OVERALL FIGURES 2021
Hours of training	Directors	4	26
	Senior Managers (including department heads)	29	72
	Middle managers and section managers	324	163
	Technicians and line coordinators	122	879
	Administrative staff and operators	2,260	2,203
Total		2,710	3,343

Equality and diversity

Neolith Group strongly believes in building professional environments based on equal opportunities, diversity and non-discrimination.

The Code of Ethics is a top-level document setting out the principles that govern the conduct of the Company's members at all levels.

The code also contains a series of principles governing the Company's relations with its employees:

1. Compliance with human and labor rights as recognized in national and international legislation.
2. Enforcement of law and regulations on working conditions and occupational health and safety.
3. Non-discrimination on the basis of ethnicity, nationality, social origin, age, gender, marital status, sexual orientation, ideology, political opinions, religion, or any personal, physical or social condition of employees.
4. Principle of equal opportunity for all when appraising staff performance, respecting the opinions of candidates and any matters they wish to keep private, while also avoiding favoritism during selection and hiring processes.
5. Compliance with applicable labor standards and acting in a fair and dignified manner in the course of labor relations, without tolerating any form of violence, harassment or abuse.
6. Eligibility for jobs and positions based on skills and capabilities, avoiding all forms of nepotism.
7. Training of employees and partners to enable and facilitate equal opportunities and career development.
8. Ensuring that all partners act diligently to protect Neolith Group assets.

In relation to principle number 5, the Group developed a selection, recruitment and onboarding policy in 2021 designed to strength its relative position and ensure equality across all selection and recruitment processes. This policy brings responsible recruitment within the Group's management model, reflecting its strategic objectives and the Code of Ethics. It also sets out the guidelines that consciously govern all recruitment processes that take place within the Group through the inclusion of equality and non-discrimination criteria.

Neolith Group also has an Equality Plan, which pursues the following objectives:



To ensure that all Company employees are afforded the rights of equal treatment and non-discrimination and to showcase this commitment.



To promote these principles across the entire organization to ensure that the business is run fairly and effectively.

Regarding the principles promoted by the Equality Plan, the Company has a procedure in place for preventing harassment in the workplace that outlines the steps to take for any complaints received from employees. Human Resources received two complaints on this topic in 2021. The protocol established by the Company was followed, the events were duly investigated and a timely response was delivered to the complainants. Both processes were archived following completion of the internal investigation.

Neolith Group currently has two people with disabilities on staff and collaborates with special employment centers. Regarding accessibility at the Group's facilities, the offices are fully accessible for people with disabilities. The physical accessibility measures put in place include adaptation of entrances and access points, mobility and orientation within the building, and communal facilities made accessible for disabled people (elevators, climate control systems, lighting, etc.).

Commitment to the community

Neolith plays an active role within the economies, societies and communities in which it operates. It pursues a commitment to local development by promoting local employment, choosing local suppliers, delivering ongoing training to all employees and supporting a sustainable transition.



Neolith donated more than €30,000 to World Central Kitchen for food to help those affected by the volcanic eruption on the island of La Palma



The Neolith Forest campaign alongside Treedom planted more than 730 trees throughout 2021. Over the course of this initiative, CO2 emissions are expected to fall by 68,450 metric tons



Neolith invested €67,704 in environmental protection in 2021



The Group also invested €391,976 in its environmental partners



The Group took out an environmental liability insurance policy

SPONSORSHIPS WITH ASSOCIATIONS

ASCER

ASCER
Spanish Ceramic
Tile Manufacturers'
Association

NKBA

NKBA
North American Kitchen &
Bath Association, responsible
for organizing the Kitchen &
Bath Industry Show (KBIS)

RCR BUNKA
FUNDACIÓ PRIVADA

RCR BUNKA
RCR Foundation dedicated
to architectural research

NEOacademy

NEOACADEMY
Customer training

DEVELOPING A MORE SUSTAINABLE PRODUCT



NEOLEAT PROJECT

NeolEAT is a solution that comes integrated within the material itself, to help preserve food hygiene by preventing the proliferation of bacteria such as *Listeria monocytogenes*, *Salmonella* and *E. coli*. This technology is featured in the new Essentials and The New Classtone releases.



90R PROJECT

Three new models have been launched under this project: Metropolitan and Sofia Cuprum 2021, and Black Obsession, which feature up to 90% and 98% recycled material in their composition. The recycled raw material is obtained from the reuse and valorization of waste generated during the internal production process.



FREEDOM PROJECT

Under this project, we have sought to reformulate all our atomized (sprayed) products to eliminate raw materials with a high quartz content and thus minimize the final content of this mineral in our Neolith finished product.

AWARDS AND ACCOLADES RECEIVED IN 2021



Neolith's commitment to sustainable development

Neolith Group plays an active role in the economic, social and cultural development of the countries in which it operates. Its actions include promoting local employment when hiring staff and selecting new suppliers, delivering continuous training to employees and supporting sustainable development through its products

Since 2013, Neolith has supported various actions and initiatives to foster the social and environmental development of its operating markets. The main collaborations and partnerships that the Group has undertaken since 2013 are:

2013

DOWN SYNDROME FOUNDATION OF CASTELLÓN

Collaboration with the Training and Employment Service of the Down Syndrome Foundation of Castellón by hiring its youngest jobseekers.

2016

VICENTE FERRER FOUNDATION

Collaboration on the initiative launched by the Vicente Ferrer Foundation in Andhra Pradesh (India), which is seeking to reverse the situation of poverty and inequality prevalent across the region. Neolith helped to build new homes in the village of Maruvapalli.

2018

@PEPITAMOLA

Launch of the social campaign with @Pepitamola, which has become the Group's brand ambassador. Through this campaign, Neolith has sought to improve the integration of people with Down Syndrome by breaking with the stigmas that surround it.

NATIONAL DOWN SYNDROME SOCIETY IN THE UNITED STATES

Launch of a collaboration campaign with the National Down Syndrome Society (NDSS), following on from the collaboration with the Pepitamola Foundation in Spain to promote inclusion.

2020

COVID-19 DONATION

To alleviate the effects of the ongoing health crisis, Neolith made an economic contribution of €300,000 to the Hospital General Universitari, the Hospital Provincial and the Hospital Universitario de La Plana, all located in the province of Castellón, for the purchase of personal protective equipment for healthcare staff.

#KILOOFKINDNESS SOLIDARITY INITIATIVE

Donations to food banks around the world, donating 1 kg of food for every m2 of the new Six-S collection sold.

NEOLITH GLOBAL FOREST

Three hundred trees planted in some of the most threatened and fragile ecosystems on the planet in order to protect biodiversity.

2021

Further to the Group's commitment to sustainable development, Neolith carried out five main actions in 2021:

SPONSORSHIP OF THE RCR BUNKA FOUNDATION.

RCR Bunka is a foundation created by RCR Arquitectes and engaged in architectural research. Neolith has become a valued sponsor under the Enigma project. In the past, the Group has collaborated through this foundation at the Venice Biennale of Architecture.

NEOLITH GLOBAL FOREST

In 2021, Neolith continued to support the carbon footprint offsetting project in conjunction with the biodiversity conservation project along the coast of Guatemala. This area has suffered widespread deforestation, having now lost 65% of its original forest area. An additional 730 trees were planted during the year to improve biodiversity in this part of the world.

Suppliers and subcontractors

Neolith Group has embedded ESG criteria in its supplier approval process. The Company has successfully developed a Procurement Policy that incorporates ESG criteria, a Code of Conduct for suppliers and a Procurement Quality Handbook, focusing on quality, environment and human rights. To achieve better control and closer monitoring of the supply chain, Neolith Group updated the terms of reference of its procurement department in 2020 to centralize supplier relationship management and monitoring, both nationally and internationally.

The supply chain is committed to distributors, installers and processors, professionals and end consumers. The selection process is based on:



Certifications ISO
9001, 14001, 28001,
18001, 51001



**Compliance with
REACH**
Declaration and
Convention on
Human Rights



**Setting
environmental
objectives,
policies and
procedures**



**Environmental
self-assessment**

During the year, the Group approved a procurement strategy addressing multiple aspects and concerns. In relation to supplier assessment, self-evaluation processes were implemented that include the following environmental and social aspects.

CONSUMER HEALTH AND SAFETY MEASURES

Neolith entiende la gestión responsable del producto como un proceso integral de la cadena de valor. Neolith views responsible product management as an integral part of the product value chain that combines the product itself and its intrinsic characteristics, the marketing and distribution process, and also the after-sales service offered to customers and the Group's ability to respond to any kind of incident that may arise along the way. Therefore, proximity to customers and partners alike, speed of service and product quality are some of the virtues that draw customers to the Group.

Neolith Group has implemented ISO 9001, which has certainly helped to improve product quality. All its products pass the strict quality controls that the Group runs to ensure absolute compliance with the specifications laid down in the product data sheets and the health and safety standards required at regulatory level and to which Neolith Group is firmly committed. These same controls also ensure that Neolith's product has a positive impact on customer health and well-being.

Aside from the existing health and safety measures, the Group aims to draw up a Customer Health and Safety Plan during the year within the framework of the Excellence Model currently being implemented by the Group.

Customers

The Group's priority is customer satisfaction, seeking a symbiosis between the most sustainable and highest quality products and the Group's values. To achieve this, we rely on the very best human talent and a specific department tasked with ensuring supreme levels of product quality at all stages of the process, from production through to after-sales service.

The After-Sales department, which is part of the larger Quality department at Neolith, was expanded during the period to include a total of six Quality Technicians and a new Customer QA Manager, with plans to increase this figure to 11 technicians in 2022. The department is responsible for the following matters:



Handling and resolving claims

Investigating claims and complaints reported in the Salesforce system. Claims may be resolved remotely or in situ.



Project monitoring and support

Providing on-site training to installers for large projects, as well as support throughout the purchase and installation process, resolving doubts and informing the customer of all the technical characteristics of the product.



Approval of tools and equipment

Testing and analyzing supplier tools to provide full certification for the use, placement and cleaning of the Neolith product.



Product training

Providing product training to installers in their workshops and to customers, distributors, etc. These training events are offered in both online and on-site formats.



Collaboration with partners

Collaborating with suppliers of complementary products to Neolith's own, such as tools, glues, cleaning and maintenance products at installation training sessions and other events.



Updating of technical documentation

Reviewing and updating published videos and technical manuals.



Customer QA Newsletter

Planning and drafting communications to customers, promoters, distributors and subscribers. This form of communication is known as the Customer QA Newsletter and provides news and information on technical and product developments.

The Customer Service team publishes a annual calendar of NeoAcademy training events to be held at the factory and on the premises of our distributors, typically within Europe. The sales network decides which customers should attend, depending on their specific needs.

Attendees receive a certificate of attendance which they can then frame and hang up in their workshops. Another important change within the organization was the decision to set up a new department. Its mission is to support end customers and to improve communications and internal processes by lending support to other departments within Neolith.

CUSTOMER SUCCESS

Neolith has a Customer Success coordinator, who plans and steers the actions of the department, in response to the needs of both the customer and the Company.

At this department there are two Customer Success Technicians, one dedicated to B2C and the other to B2B success.

The tasks and responsibilities of this department are as follows:

Resolving technical queries

- Resolving technical queries through a technical support email (supportcs@neolith.com) as well as a telephone line with instant messaging service to ensure that all such queries are answered within 24 hours.

Support in lodging claims

- Providing support to customers and sales representatives in lodging claims to make sure that all required information is provided.

Technical and commercial service support

- Optimizing communication between both departments, thus freeing the technical department from administrative tasks.

Technical support online and on social media and/or forums

- Providing support for end-customer queries received via social media and/or forums.

Customer service call center

- Resolving end customer inquiries via telephone.
- Managing reviews and comments left on Google.

Management of the POS incentive program

- Managing and approving incentives registered on the Extraordinary Showroom platform and supervising incentive payments (quarterly).
- Providing training to the sales network on how to use the Claims/Incentive program.
- Drafting training manuals, along with face-to-face and online training sessions.

MANAGEMENT OF THE NEOLITH WARRANTY PROGRAM

- Reviewing and approving warranty registration documents through the Neolith website and Salesforce CRM.
- Resolving questions and B2C inquiries via email (warranty@neolith.com).
- Planning and managing the Salesforce platform for the Quality department.
- Migrating the claims management system and planning improvements that the platform will deliver to the department.
- Creating and managing claims data relating to quality.
- Planning and analysis regular NPS surveys. These surveys allow Neolith to act upon and improve the aspects flagged.

NEOACADEMY

A key highlight at the department in 2021 was the implementation of NeoAcademy. NeoAcademy classrooms are training environments aimed primarily at installers and customers chosen by the sales team. Knowledge of product cutting and placement is taught in these classrooms. They are held in the NeoAcademy training room at the factory and on the industrial premises of our distributors.

The training is carried out in collaboration with our suppliers of complementary products, such as cutting and handling tools for Neolith slabs, and adhesive and cleaning products.

Respect for human rights

Neolith Group promotes compliance with human and labor rights enshrined in national and international legislation among its employees and suppliers. It approved a Supplier Code of Conduct in 2021.

Human rights due diligence is carried out across the organization through various procedures and policies, including the Code of Ethics, the Supplier Code of Conduct and the KYC (know-your-customer) process, all of which cover the main concerns in relation to human rights.

Neolith Group promotes and ensures compliance with the provisions of the ILO fundamental conventions on respect for freedom of association and the right to collective bargaining. It also provides the necessary means to guarantee the freedom and non-discrimination of employees who choose to exercise these rights.

The Group has a Works Council that liaises directly with the Company.

The Code of Ethics sets out the principles governing the Group's activities and the guidelines that must be followed to ensure ethical and proper behavior by its directors, managers, control bodies and, in general, all personnel and third parties (agents, distributors, associates, consultants and other intermediaries), regardless of the position they hold or the place where they perform their work, and in strict accordance with the laws and regulations in each country where they work. These principles are essentially as follows:



Principle of due diligence to ensure the prevention, detection and eradication of any instances of non-compliance with the code and other internal rules, including those that involve crime.



Principle of equal opportunities for everyone, respecting the opinions of candidates and any matters they wish to keep private, while also avoiding favoritism during selection and hiring processes.



Principle of crime prevention and anti-fraud, focusing on the need to combat money laundering, anti-corruption and bribery due to the Group's international presence.

In compliance with the provisions of the ILO fundamental conventions related to the elimination of discrimination in employment and occupation, as described in section 4.6, the Code of Ethics sets out the principles governing the Group's activities regarding equality and describes the measures in place and those to be implemented through to 2023 under the Equality Plan. In 2021, the Company implemented a selection and hiring policy and various other HR policies in which one of the fundamental principles is non-discrimination on the basis of gender, race, religion, age, etc.

In a bid to eradicate forced or compulsory labor and ensure the effective abolition of child and other forms of unauthorized labor, the Group verifies the age of all candidates before they are hired. Neolith Group complies with local labor regulations in all countries in which it operates and is not involved in operations and does not maintain business relationships with suppliers that might engage in forced or child labor.

Ethical management is one of the cornerstones on which Neolith Group bases its presence in the market, with the Code of Ethics as the bedrock of the Group's commitment to regulatory and ethical compliance.

The Group bases its activities on the principles and lines of action enshrined in the Code of Ethics. The code is also mandatory for all employees and third parties who enter into a business relationship with the Group. To enforce, reinforce and supervise compliance with the Code of Ethics, Neolith Group has set up an ethical or whistleblowing channel.

This channel is one of the mechanisms in place to ensure transparency and communication with stakeholders.

The Company uses the channel to monitor compliance with the Code of Ethics and also to demonstrate the Group's commitment to responsible management and transparency, thus allowing it to continue growing based on a culture rooted in trust, integrity and professionalism.

Reports received through this channel are handled by the Compliance Officer, who treats each disclosure as confidential information and respects the anonymity of the whistleblower if that is what they wish. All information provided is included in a personal data file. When investigating reports, the Group guarantees the right to privacy, to defense and to the presumption of innocence of the persons under investigation and ensures that no reprisals are taken against the whistleblower.

There is a written procedure in place governing how the ethics or whistleblowing channel is managed. It is essentially a mechanism to ensure that all disclosures are treated following the same process and that there is no form of discrimination.

The Compliance Officer receives and reviews each report and submits his or her conclusions to the Audit Committee. Events that could be considered very serious and/or criminal are subject to an extraordinary referral and may be brought to the attention of the authorities. Both the procedure and the ethics or whistleblowing channel itself are accessible via the website at neolith.com (see below).

Neolith did not receive any reports of human rights abuses in 2021.

Anti-corruption and bribery

Neolith's Code of Ethics and fraud policies set out its firm commitment to the principles guiding its comprehensive Crime Prevention Policy, focusing on any conduct that could involve money laundering, corruption or bribery.

The Code of Ethics and its implementing policies are there to prevent instances of unethical conduct at all Group subsidiaries and business units. The main anti-corruption and bribery measures set out in the Code of Ethics are as follows:



No employee may offer, promise, grant, request or accept, directly or indirectly, illicit payments or other advantages, favors or forms of compensation, to or from any authorities or officials.



This does not apply in the case of gifts and hospitality of token value that are proportionate and reasonable according to local practice and given for a legitimate, socially acceptable and sporadic interest, such that there is no doubt regarding the good faith of the employee concerned or Neolith.



Cash gifts are expressly prohibited.



Neolith employees must refrain from making payments, in any form whatsoever, to facilitate or expedite procedures or processes before any judicial body, public administration or other official body.

Neolith Group also has specific procedures to be followed and forms to be used when interacting with counterparties in the normal course of business. The Group defines three scenarios in the customer relationship in which a series of preventive checks are carried out:

1. First commercial transaction
2. Non face-to-face transactions
3. Control and follow-up measures

The Group updated its crime risk matrix between 2019 and 2020 and implemented the necessary procedures so that each of its business units can manage the risks accordingly. In 2021, the Group analyzed and audited the effectiveness of a significant sample of measures and controls (50), revealing an overall improvement in the weighting of their related risks.

The anti-corruption principles approved by the Group in 2021 were added and the effectiveness of the various crime prevention measures and controls were re-tested. Also during the year, the Group received two reports of alleged breaches of various corporate policies (relating to overlimits of spending authorizations and powers), which led to investigations and corrective measures, both disciplinary against the employees concerned and mitigation of the commercial impact.

The internal prevention and control procedure and the anti-money laundering principles contain a set of measures to combat money laundering and counter terrorist financing. These principles describe the behaviors that could constitute a violation and set out appropriate controls for their prevention, mitigation and follow-up.

The *Compliance Officer*, in collaboration with the Chief Financial Officer (CFO), has the following duties in this realm:



Handling and managing, centrally, any incidents that may arise in connection with anti-money laundering and counter terrorist financing.



Keeping staff regularly informed of all such matters.



Keeping each other continually and mutually informed of any circumstance that might or should alter or modify this prevention procedure.

Neolith Group has a series of procedures in place to mitigate the risk of becoming involved in possibly criminal activities related to money laundering or terrorist financing. Among the main mechanisms is the process of monitoring and conducting ethical assessments of the Group's new and existing customers – Know Your Customer (KYC). Under this procedure, any employee or collaborator must provide specific documentation to identify the customer as a natural or legal person, obtain general commercial information on the subject and on their management and shareholding structure (in the case of legal persons), as well as documentation showing the main characteristics and commercial circumstances of potential customers.

In addition, the Group's organizational structure is based on a joint management model whereby both the CEO and CFO must sign off and release the various transactions, which is a good governance practice in connection with corruption and money laundering.

Looking ahead to 2022, Neolith plans to pursue two main objectives in relation to anti-corruption and anti-bribery:

1. Compliance training, specifically protection of industrial secrets over the course of July 2022, and anti-bribery training during the third quarter of 2022.
2. Drive to ensure absolute compliance with human rights along the value chain.

Finally, Neolith Group makes regular contributions to foundations and non-profit organizations:

The Company donated €32,950 to World Central Kitchen in 2021 to help those affected by the volcanic eruption on the Spanish island of La Palma, together with €100,000 worth of food to authorized food banks.

Tax information on the Group

2021 witnessed several significant macroeconomic events, such as the restrictions COVID-19 continued to impose on certain markets in which the Group operates, not to mention rising commodity and energy prices, logistical difficulties and supply chain bottlenecks. Nevertheless, Neolith managed to strengthen its position within the market worldwide thanks to its commitment to excellence and continuous improvement. The significant growth in Group revenues in 2021 led to a 17% increase in sales during the year, to €145 million.

The Group also managed to significantly increase its profitability metrics, reaching EBITDA and net income of €52 million and €20 million, respectively.

These results represent increases of 33% and 272%, respectively, from 2020. It was also successful in reducing its net financial debt by 13%.

The Group continues to rely heavily on R&D development, commitment to excellence and continuous improvement, investment in marketing and sustainability as the main drivers in expanding its presence and brand recognition along the value chain and among end consumers. All of this has allowed Neolith Group to strengthen its position in the global market and press forward with its international expansion plan by opening offices in the United States (New Jersey and Florida) and Australia (Sydney and Melbourne), which will begin operating in 2022. We also signed major distribution agreements that will ultimately strengthen our presence in the United States and Canada, as well as an important agreement with our distributor in China aimed at strengthening our presence there.

This commercial expansion, coupled with product development initiatives, led to the implementation of an Industrial Plan, under which we invested in a new production line and made production improvements in the factory that will allow us to increase our production capacity and meet increased levels of global demand over the coming years.

In terms of financial management, Neolith Group holds regular meetings to analyze and interpret the trend in the Group's key figures and financial position. In addition, since the onset of the COVID-19 pandemic, a sales forecast has been drawn up every week to provide greater financial certainty looking forward. This forecast is presented to the entire Senior Leadership Team (SLT) and covers current trading, order backlog, estimated future sales and performance against the budget.

Breakdown of figures by country in 2020 and 2021:

2020	SPAIN	ITALY	POLAND	UNITED KINGDOM	IRELAND	USA	CHINA (HONG KONG)	SOUTH AFRICA	CONSOLIDATED
Profit*	7,129	87	-33	-112	16	29	-202	-345	6,569
Income tax paid*	3,638	0	0	0	0	0	0	0	3,638
Government grants received*	120.19	15.48	14.80	138.24	0	0	42.66	0	332

*Figures in €000.

2021	SPAIN	ITALY	POLAND	UNITED KINGDOM	IRELAND	USA	CHINA (HONG KONG)	SOUTH AFRICA	MÉXICO	AUSTRALIA	CONSOLIDATED
Profit*	23,845	1,249	64	329	-9	-353	70	27	-16	-405	24,801
Income tax paid*	3,542	47	2	0	10	0	0	0	-	-	3,601
Government grants received*	-	8	-	-	-	-	-	-	-	-	-

*Figures in €000.

About this report

This Sustainability Report has been drawn up in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and the standards of the Global Reporting Initiative (GRI).

It includes information on the performance of the parent company International Design Surfaces Investments S.L. and its subsidiaries, which together make up Neolith (the "Group"). The boundary of the information reported herein is the same as for the financial information, as contained in the annual financial statements, and for the Group's non-financial statement.

This report covers fiscal year 2021, thus including all milestones achieved from January 1, 2021 through to December 31, 2021. This is the second annual sustainability report published by the Company. The first was published in 2020.

Any questions relating to the information contained in this report may be sent by email to ESG@neolith.com, or by post to the company's main place of business at Polígono Industrial Camí Fondo, Supoi 8. C/ Ibers 31, 12550 Almazora, Spain



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