

2019 SUSTAINABILITY REPORT



**ACCIAIERIE  
VENETE SPA**



2019 SUSTAINABILITY REPORT

Steelmaking since 1957





## LETTER TO THE STAKEHOLDERS

In 2018, when we decided to draw up Acciaierie Venete's first Sustainability Report, it was impossible to predict that our company and our communities would be faced with a serious and challenging "stress test" such as the one that began last February with the pandemic caused by the spread of COVID-19.

The usual attention to occupational safety and the protection of the health of our people and the inhabitants of the areas we operate in was no longer sufficient. We were called to add new and unprecedented procedures aimed at preventing the risk of contagion in production areas, canteens and changing rooms.

The activities of recent months and those currently under way will be reported in next year's Sustainability Report when, as we all hope, the problems related to the spread of COVID-19 have been overcome.

Nevertheless, as regards all events that have taken place - and what is still happening - underscores the need to further increase our attention to the sustainability of the business as a whole, as well as the need to maintain the levels of our commitment in this area. This is due to the fact that imponderable events may arise at any given time. Furthermore, this need is imposed by the assessment that the measure of a company's sustainability is also evident in its ability to react quickly to sudden changes in the environment and by the discipline with which consequent organisational procedures are adopted.

In this context, corporate sustainability must not be construed as a static goal but must become the driving force behind a dynamic process that pushes the organisation towards continuous improvement, making it capable - among other facets - of quickly assimilating innovations and adapting effectively to the constraints imposed by unforeseeable events.

While the pandemic could be seen as the unforeseeable factor that negatively affected the first half of 2020, the innovative element that arose between the end of 2019 and the beginning of this year would be the cultural revolution - which will also involve production in the future - effectively summarised in the slogan *European Green Deal*.

Like all Italian electric steel producers, our company is already a virtuous example of circular economy, not only because it recovers ferrous scrap and regenerates it in quality steel, but also for the reuse of processing waste such as slag.

But Europe is launching even more ambitious challenges in terms of decarbonisation by aiming to eliminate the direct and indirect use of fossil fuels by 2050, by encouraging the development of electricity production from renewable sources or by launching long-term projects for the industrialisation of hydrogen processes.

As will later be shown, reading our second Sustainability Report, our company is once again moving with speed and determination. In this regard, I would like to emphasise the fact that, following the recent establishment of an internal monitoring body for research and development, we have joined ESTEP (European Steel Technology Platform) in order to actively take part in the activities of the Clean Steel Partnership that in the period 2021-2027 aim to develop and perform large-scale testing on the technologies necessary to reduce CO<sub>2</sub> emissions in the European steel sector.

Last year I concluded my letter to Stakeholders by saying that our most important challenge is to make increasingly high quality steel in an increasingly sustainable way. I hope that as you read the next few pages you will appreciate our past, present and future efforts.

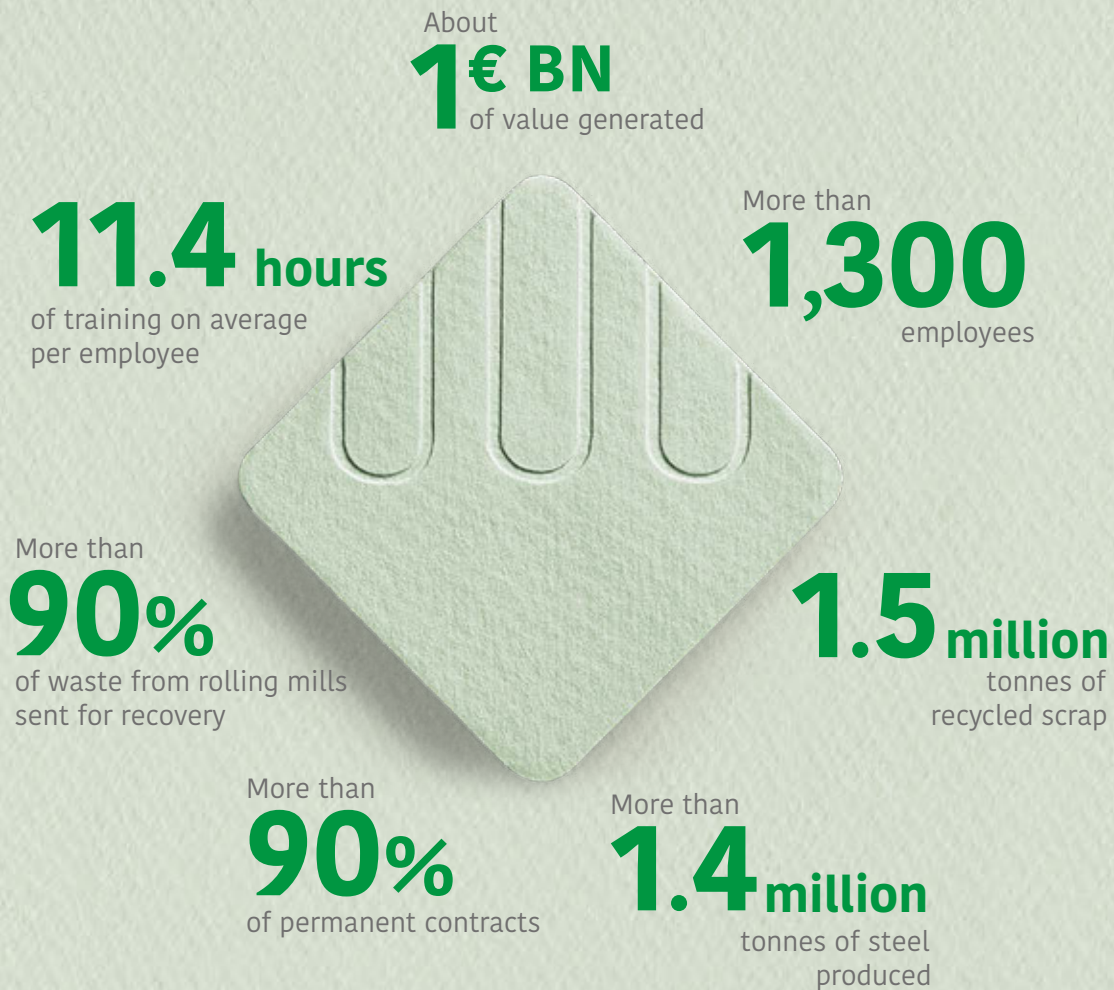
**Alessandro Banzato**  
Chairman



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## HIGHLIGHTS 2019



ISO9001, ISO14001, ISO50001 and IATF 16949 Certifications

Compliance with Confindustria's Charter of Environmental Sustainability Principles







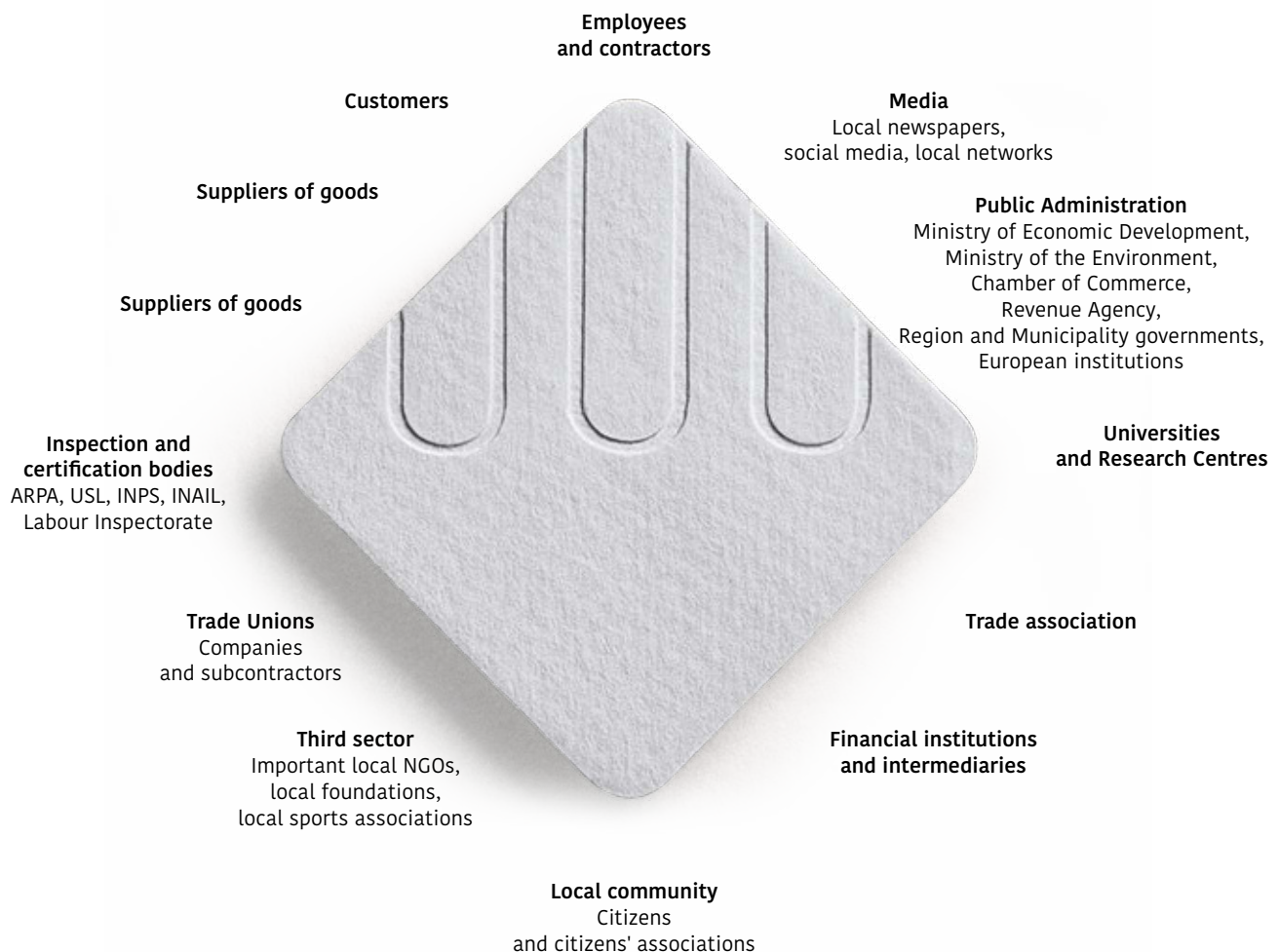
## 1. STAKEHOLDERS AND MATERIAL TOPICS

## 1.1 The stakeholders

Acciaierie Venete has always considered open dialogue with its stakeholders an element of great importance. Acciaierie Venete promotes this dialogue through a range of communication channels appropriate for each category of stakeholder, including business meetings, meetings between the parties and formal meetings with local authorities.

The stakeholders of Acciaierie Venete were identified through a survey of the company's current governing documents (like the Code of Ethics and the documentation of the Integrated Management System), an analysis of the Company's business model, its interrelationships with the outside world and through the involvement of the managers of Acciaierie Venete's various Departments/ Functions. Subsequently, at a meeting specifically organised for the purpose, the company's top management validated and prioritised these stakeholders on the basis of their influence and dependence on Acciaierie Venete. The top priority stakeholders are listed below.

### Main categories of Acciaierie Venete stakeholders



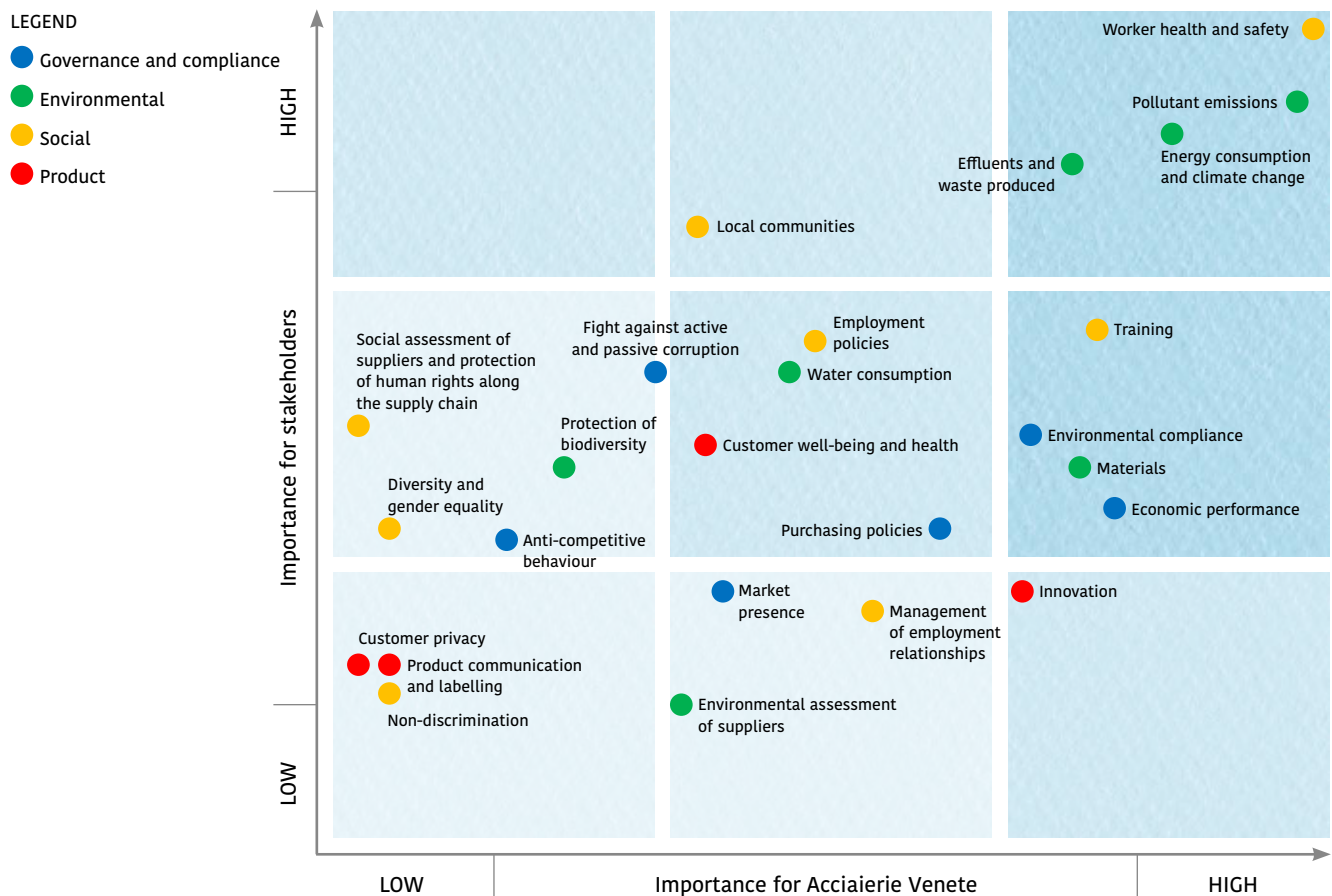
## 1.2 Material topics for Acciaierie Venete and its stakeholders

According to GRI Sustainability Reporting Standards, adopted to prepare this document, a Sustainability Report should provide information on topics that substantially affect the company's ability to create value in the short, medium and long term, which reflect the significant economic, environmental and social impacts of the organisation and are of interest to the company's stakeholders.

The tool that makes it possible to define the topics that have or could have an impact on the actions and decisions of Acciaierie Venete or its stakeholders is a materiality analysis. In order to define the range of topics that require initial analysis, Acciaierie Venete conducted several internal interviews with the Management, a benchmarking analysis, a study of external conditions and a comparison with the international sustainability standards of reference for the industry the company operates in.

At a workshop that involved the company's top management it was therefore possible to prioritise the topics considered important enough to involve the company's economic, environmental and social impacts. The importance of the above topics for each stakeholder was carried out using a "desk" method, taking into account the results of the benchmark analysis and sector documents. The material topics are those that are important to both Acciaierie Venete and its stakeholders. Below is a summary definition of the topics of high and medium materiality identified during a 2018 analysis and which are still considered current for 2019.

### Materiality matrix



**High importance**

Worker health and safety	Describes the company's commitment to ensuring working conditions that ensure full respect of the right to health, the protection of workers' physical well-being and high health and safety standards.
Polluting emissions into the atmosphere	Describes how the company monitors and reduces greenhouse gas emissions generated by industrial processes and the distribution of its products.
Energy consumption and climate change	Describes energy consumption and related emissions of climate-altering gases resulting from production and the policies put in place to mitigate these environmental impacts.
Effluents and waste produced	Describes the company's commitment to minimising impacts related to the generation and disposal of waste and effluents.

**Medium importance**

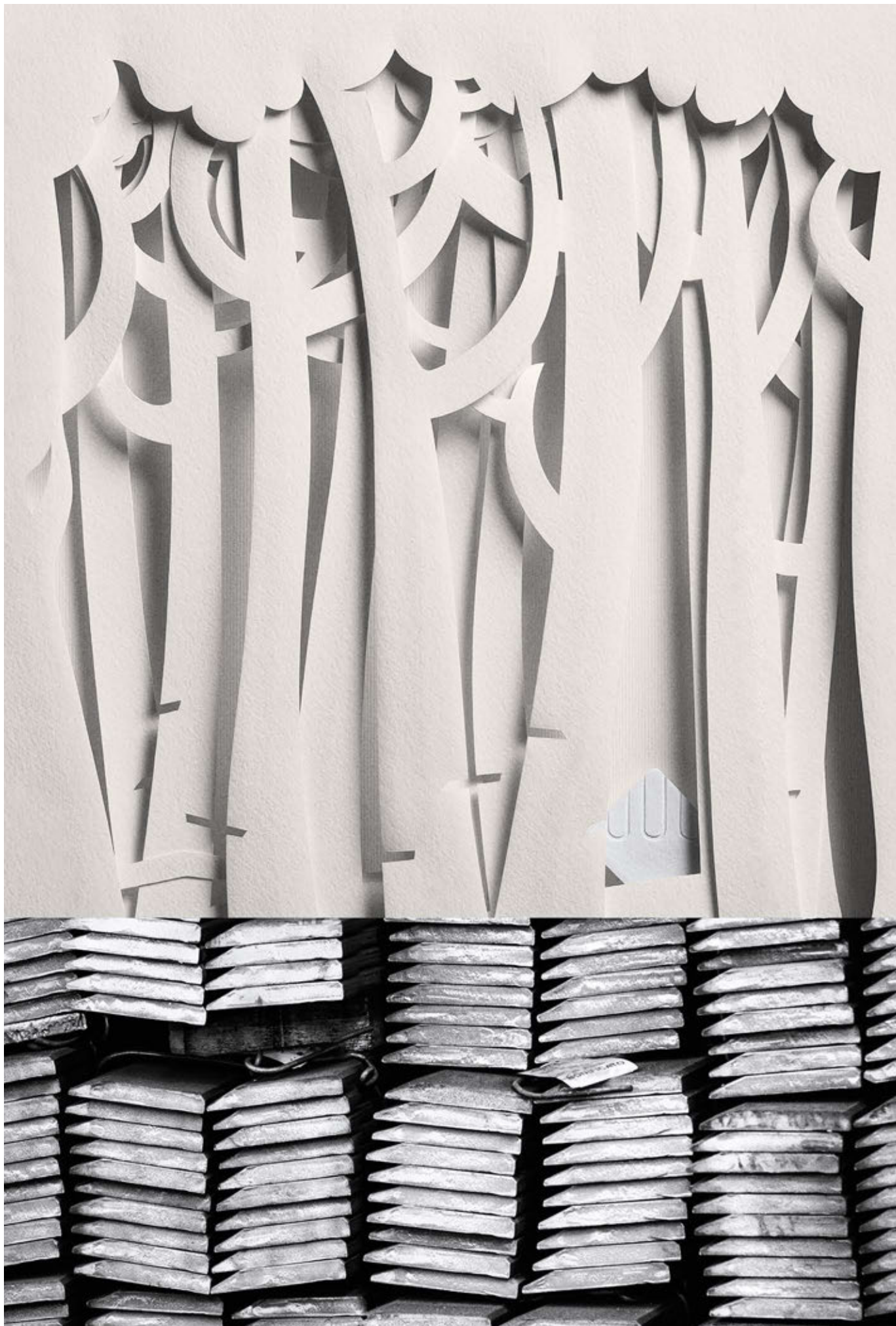
Training	Describes the company's contribution to the educational growth of its employees, as well as programmes aimed at stimulating the professional development of its employees.
Local communities	Highlights how the company contributes to the development of the community through initiatives (e.g. cultural, sports) in support of local associations and sponsorship of events.
Environmental compliance	Describes the company's ability to ensure compliance with environmental legislation and regulations.
Materials	Describes the type of materials used by the organisation to produce products and packaging and to provide services.
Economic performance	Specifies the economic value generated and distributed by the company among its main stakeholders (employees, suppliers, local community, shareholders, etc.).
Employment policies	Describes the company's approach to the topic of work, in particular how to attract, select and manage human resources within the company.
Water consumption	Describes how the company ensures efficient use of water resources during production to minimise environmental impacts.
Purchasing policies	Describes the company's purchasing and procurement policies that help create local value (e.g. local supplier selection).
Customer well-being and health	Measures the impacts generated by the company's products on the safety and well-being of customers and the actions taken to reduce these impacts.
Fight against active and passive corruption	Specifies how the company prevents and manages the occurrence of active and passive corruption.
Innovation	Describes how the company incorporates the concept of innovation into its business processes and the products it produces.

### 1.3 Reading guide

Acciaierie Venete's Sustainability Report was drawn up with a particular focus on the sustainability issues that emerged from the materiality analysis just described. In particular, each chapter analyses the company's performance in the three-year period 2017-2019, providing a commentary on the main trends and a description of the most significant initiatives carried out by the company to reduce and mitigate the environmental and social impacts generated by the company's activities as well as to create value for Acciaierie Venete and its stakeholders.

The introductory part briefly presents Acciaierie Venete (mission, history, corporate governance) and the main elements that make up the company's business model and the steel supply chain. This will be followed by a description of the social and environmental dimensions of sustainability at Acciaierie Venete. To conclude, the final part describes the methodology behind the drafting of this document.







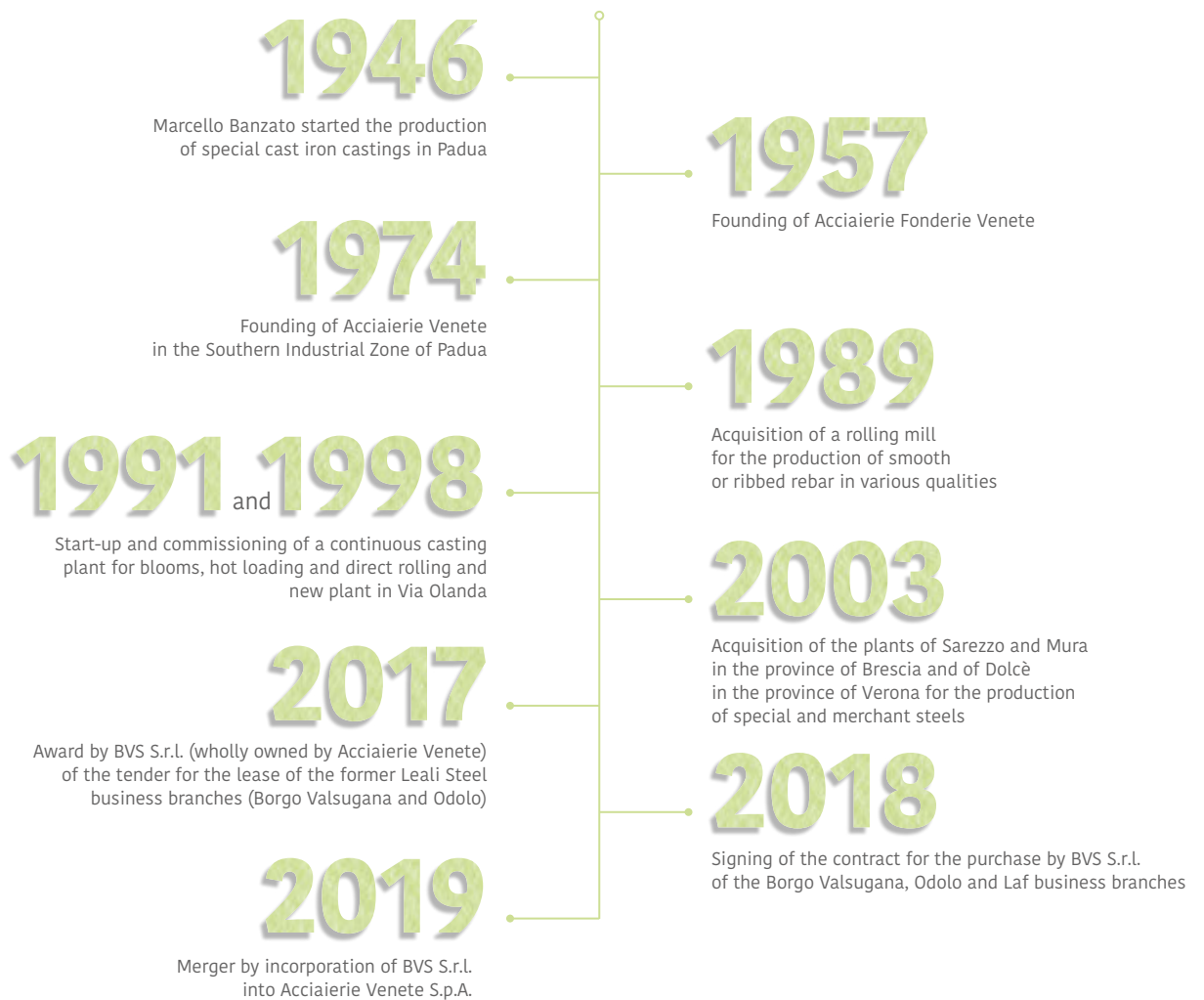
## 2. IDENTITY

**2.1**  
**Roots**  
**and Structure**

Acciaierie Venete founded in 1946 with the first special pig iron castings.

Our journey in the steel market began in 1957 with the production of the classics - rebar for reinforced concrete, ingots and billets - which would then allow it to acquire the know-how necessary to consolidate.

Our company assumed its current name Acciaierie Venete S.p.A. in the early 1970s transferring its headquarters to the Camin artisan area in Padua.



In the early 1980s our Company started a technological evolution moving towards long quality steels, a process that today has made it one of the most qualified producers in the European Engineering Steel market.

The company grew internally (investing in human resources, technologies, processes and products) and externally (acquiring the Sarezzo, Mura and Dolcè plants in 2003 and the Borgo Valsugana and Odolo plants in 2018).

Acciaierie Venete has a production capacity of 1,800,000 tonnes of steel per year that is produced in the plants of Padua, Sarezzo and Borgo Valsugana, transformed into finished products at the plants of Padua, Sarezzo, Mura, Dolcè, Odolo and Buia and, for some applications, further processed in the subsidiaries of Modena and Idro. The steel produced by the company is used by major industrial brands worldwide in the automotive, earthmoving and agricultural machinery, energy, mechanical engineering and construction industries.

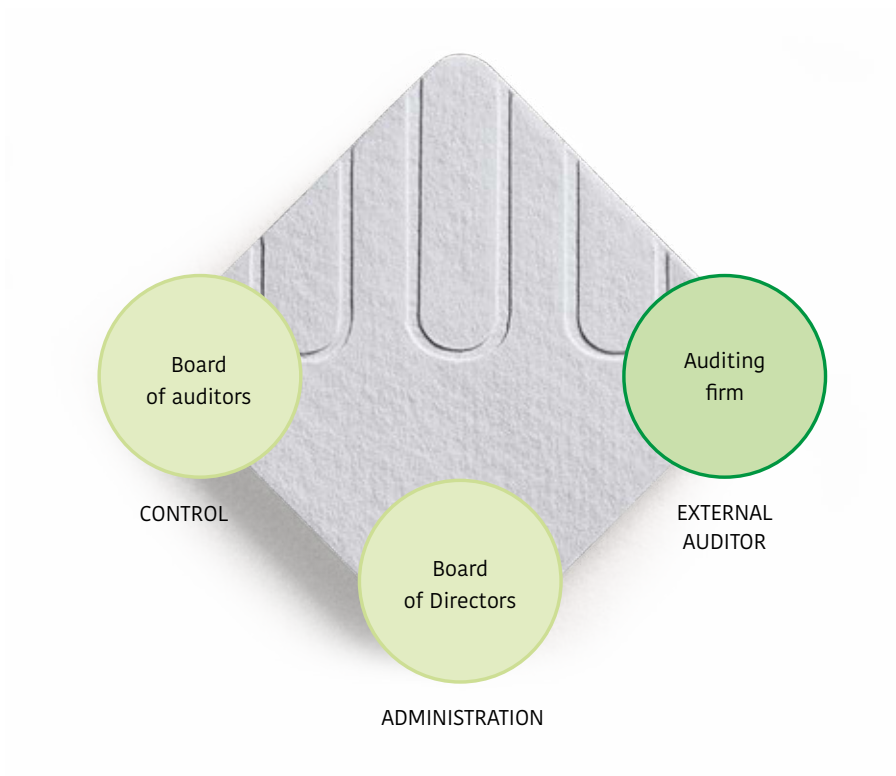
### Company structure of Acciaierie Venete S.p.A. and its subsidiaries at 31/12/2019

VENETE SIDERPRODUKTE AG	60%	Sales steel products
PADANA ROTTAMI S.R.L.	100%	Production and sale of scrap
MALTAURO ROTTAMI S.R.L.	64.5%	
ESTI S.R.L.	80%	Production and sale of steel products
CENTRO ITALIANO ACCIAI S.R.L.	100%	
VENETA ESERCIZI ELETTRICI S.R.L.	100%	Management of hydroelectric power stations
ACCIAIERIE FONDERIE VENETE S.R.L.	100%	Real estate

In 2017, Acciaierie Venete S.p.A. expanded its production organisation by winning the tender to lease the business branches of Leali Steel, i.e. the Borgo Valsugana (TN) steel mill and the Odolo (Brescia) rolling mill. The outright acquisition of the assets was completed in October 2018 following a competitive auction. The merger by incorporation between Acciaierie Venete S.p.A. and BVS S.r.l. was completed on 1 January 2019. Also in 2019, the company's headquarters were transferred to Borgo Valsugana (TN).



## 2.2 Corporate Governance



### 2.2.1 The governance structure

- **The Board of Directors** of Acciaierie Venete is made up of five members, a Chairman and four Directors.

#### Chairman

Banzato Alessandro  
(company representative)

#### Directors

- \* Beduschi Roberto
- Businari Andrea
- \* Rinaldo Andrea
- \* Terrin Alessandro

\* independent directors

- **The Board of Statutory Auditors** consists of the Chairman, two Standing Auditors and two Alternate Auditors. It controls the company's operations in the short and long term.
- **The Independent Auditor** also plays an important role, as an external body. It is responsible for verifying and certifying that the company carries out all its operations according to the standards specified by law and by the pertinent accounting standards.

For some time now Acciaierie Venete has implemented an extensive system of proxies for Executives operating autonomously in their respective areas of responsibility. We deemed it appropriate to establish special proxies for specific areas to be assigned to specific company executives so that assigned proxies would be evident to Third Parties.

For example, the individual Plant Managers are attributed the qualifications of Employers and Safety and Environmental Managers, while the CFO is assigned the preparation and keeping of the accounting documents required by civil, tax and social security regulations and the timely completion of all tax obligations imposed on the company. Other specific powers are granted to the Human Resources Director, the Sales Director and the Purchasing Managers.

### 2.2.2 Risk management in the company

Effective risk management is a key factor in maintaining the Company's value over time. In order to optimise this value, the Company has long implemented an Enterprise Risk Management process that has made it possible to better identify and understand the risk factors that threaten the achievement of company objectives, and consequently to implement the most appropriate actions to mitigate the possible effects.

Risk monitoring and management are performed on an ongoing basis by the various corporate management and control bodies, as well as by the various corporate functions in the performance of their activities.

In line with best practices, Acciaierie Venete has identified the following risk classification:

- **External risks**
- **Strategic risks**
- **Operational risks**
- **Financial risks**

For each of these categories, the individual risks were broken down and the organisational measures to reduce their impact on operations were assessed.

Insurance policies were taken out for the main operational risks (Industrial, Business Interruption, Cyber Security, legal disputes), with the support of a leading international broker to cover them.

Likewise, for Financial Risks policies were taken out to cover Credit risk.

### 2.2.3 Code of Ethics and Supervisory Body

The Acciaierie Venete Group has adopted a specific Organisational Model and a Code of Ethics in compliance with Italian Legislative Decree no. 231/2001, which constitutes the cultural base of the company for all stakeholders inside and outside the Group. As required by regulatory developments, the Model is subject to periodic review.


The principles of conduct expressed in the Code form the basis of the corporate culture. Acciaierie Venete agrees to respect the dictates of the Code in the performance of all activities and is committed to high standards of business conduct based on integrity and loyalty, without personal and corporate conflicts of interest. The principles of business conduct mentioned in the document also refer to relevant issues related to the social, environmental and economic sphere (like the health and safety of workers, environmental protection, transparency and propriety in the management of business activities and innovation).

The Group's Organisation, Management and Control Model provides for anonymous and protected lines of disclosure of violations of the rules and the principles it contains. Furthermore, in order to protect the company's integrity, employees and external contractors may anonymously report any unlawful conduct to the Supervisory Board through publicly disclosed communication channels (mailing address and dedicated email). In order to ensure the widespread knowledge of these addresses among all employees, Acciaierie Venete has published it on its corporate website.

For more than 10 years the Supervisory Body (SB) of Acciaierie Venete has been carrying out its activities of control and verification of compliance with the principles contained in the Organisation and Management Model, drawn up in accordance with Italian Legislative Decree 231/01. This document was prepared by the company on the basis of the identification of areas of possible risk arising from the company's business and listed in the special parts of the model.

In order to ensure greater control of the areas mapped as being "at risk of crime", the SB is composed of three members, two of whom are external, a composition that guarantees better decision-making effectiveness than a single person. Moreover, an engineer with experience in occupational safety has been commissioned to regularly inspect the workplace and update the company's health and safety documentation.

The work done by the Supervisory Body, shared with the heads of the various company functions, is periodically brought to the attention of the Board of Directors for its assessment and approval. During 2019, the Supervisory Body performed ten audits by visiting each of the Company's plants at least once. The Supervisory Body also meets periodically with the Board of Statutory Auditors to present the work it has done and to highlight any issues identified.



“ACCIAIERIE VENETE makes compliance with antitrust law a priority, convinced that this will increase its competitiveness in the market as well as the technical development and innovation of products for the benefit of more efficient companies and end consumers.”

**Alessandro Banzato, Chairman and CEO**

#### 2.2.4 Antitrust compliance programme

Acciaierie Venete has a solid stake in the steel market and operates in full respect of its competitors, and its objective is to improve its position by focusing on its development and industrial skills.

Compliance with antitrust rules is the basis of the Group's ethics, and over the years it has become increasingly aware of the issue, so much so that in 2017 it launched an antitrust compliance programme. The purpose of this document is to raise awareness among all parties regarding the topic of antitrust and to disseminate the principles of conduct in accordance with current regulations.

Since 2017, the company's organisation chart has included the figure of Antitrust Compliance Officer (ACO), responsible for monitoring and maintaining all activities in line with the antitrust model adopted. Acciaierie Venete also participated in a training course entitled: "antitrust and unlawful conduct", involving 22 persons, including executives, employees, the ACO and the Managing Director. Finally, to confirm the work done, in 2019, after a second training meeting, an audit was performed by an external body that verified the consistency of the conduct with the model implemented.

## 2.3 The economic value generated and distributed by Acciaierie Venete

In 2019 Acciaierie Venete generated value of € 884 million (revenues of € 880 million and other positive income components of € 4 million), down 21.5% compared to the previous year (economic value generated in 2018 of € 1,126 million, of which € 1,119 million related to revenues and € 7 million to other positive income components).

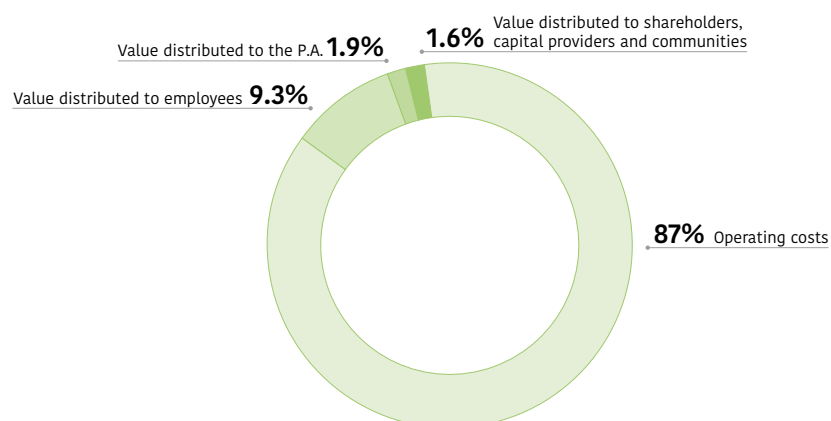
Acciaierie Venete produces wealth and contributes to the economic growth of the social and environmental context it operates in. This contribution is measured in terms of added value produced and distributed to stakeholders.

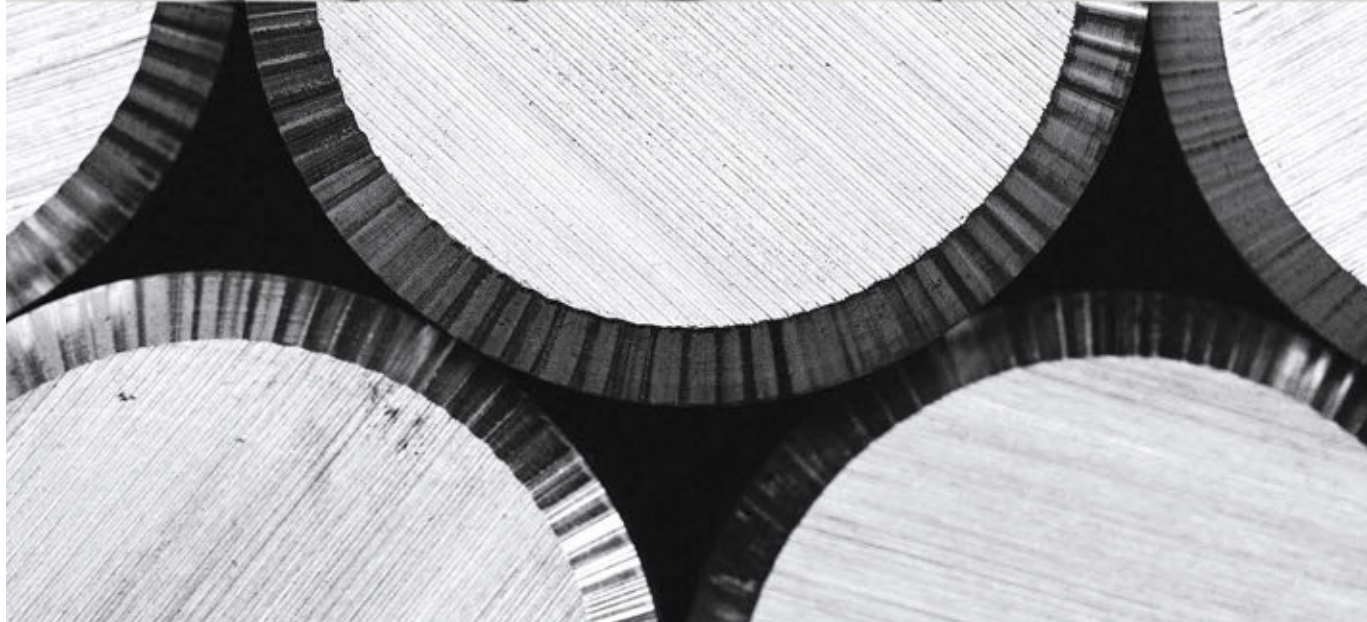
The value directly generated and distributed in 2019 amounted to € 826 million, broken down as follows:

- **Operating costs** distributed to suppliers (mainly of raw materials) amounted to € 720 million, down 17.6% from the previous year due to the decrease in the price of raw materials.
- **Employee compensation and benefits** totalled € 77 million, 5.5% lower than the previous year.
- **Transfers to the Public Administration** amounted to € 16 million, down 58.3% compared to the value disbursed in 2018.
- **The value distributed to shareholders** amounted to € 11.3 million, basically unchanged from the previous year.
- **The return on borrowed capital** amounted to € 921,000, down 54% from the previous year, as financial management in 2018 was penalised by some losses that affected the securities in the portfolio.
- **The community** was allocated € 1.3 million (+10.4% over the previous year) in the form of voluntary contributions, investments in funds and donations.

[€/000]	2017	2018	2019
Economic value generated	857,362	1,125,902	883,708
Economic value distributed	790,923	1,007,812	825,912
Economic value retained	66,439	118,089	57,796

### Breakdown % of economic value distributed (2019)





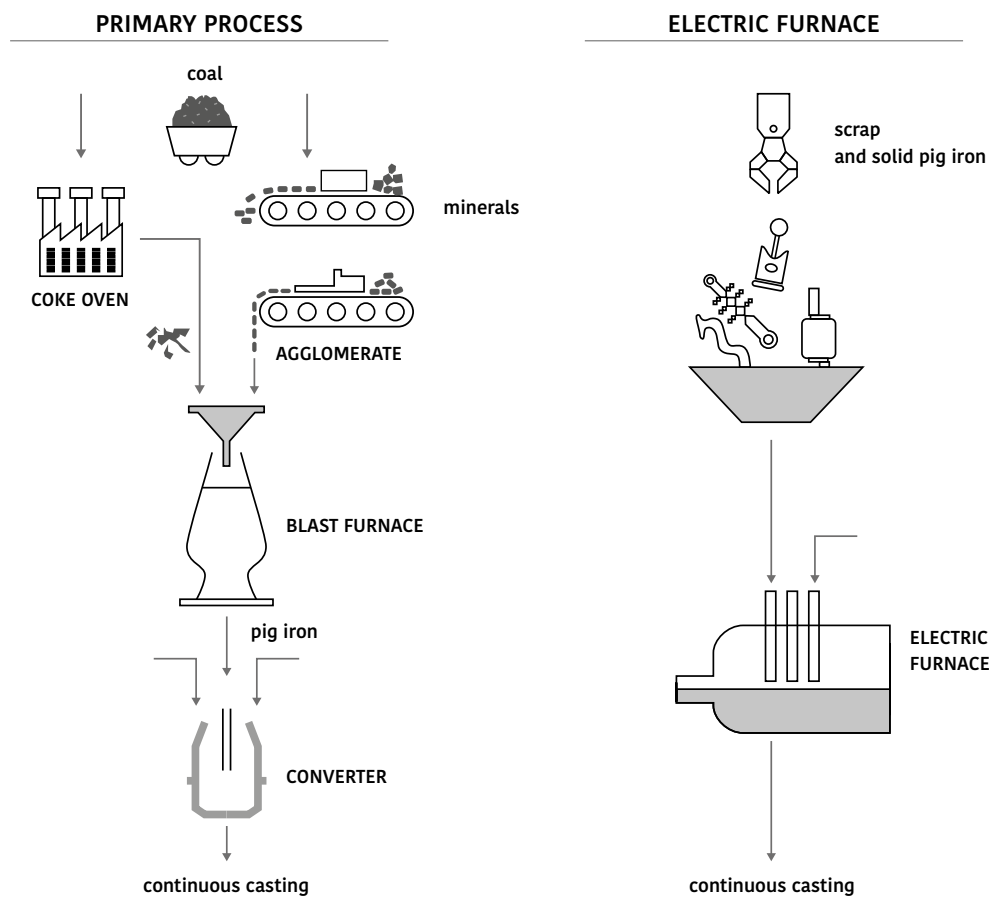


### 3. WHERE OUR STEEL COMES FROM

### 3.1 The steel production process

Steel is an iron and carbon alloy containing less than 2% carbon, 1% manganese and small amounts of silicon, phosphorus, sulphur and oxygen. The quantity of carbon determines its hardness, while the other components, being present in variable quantities, determine its physical, behavioural and use characteristics.

Steel can be obtained from two different production processes: the primary process and the secondary process which uses an electric furnace. The type of raw material used also varies according to the selected production process: while the former uses iron ore and hard coal as the main raw materials, the latter uses melted ferrous scrap, exploiting steel's maximum recycling potential.



For steel produced using the primary process, the raw materials are prepared in the agglomeration plant (minerals) and in the coke oven (coal) and then melted in the blast furnace forming liquid pig iron. The pig iron is passed on to the converters where, after the addition of a minimum part of scrap and the blowing of oxygen, the liquid steel is produced.

In contrast, the secondary process using an electric furnace is much simpler and more compact. Using electrodes the ferrous scrap is melted and returns to liquid steel.

The production of steel using the primary process began in Italy towards the end of the 19th century and developed after the Second World War thanks to state-owned industry. For the quantity and size of the plants and raw materials that contribute to the production (mineral and fossil inventories, agglomerate, coke ovens, blast furnaces, converters) the primary process requires very large spaces close to the sea or navigable rivers, large investments and large availability of manpower (the production per capita of the primary process is about 750 tonnes per year while the production from electric furnaces reaches almost 1,300 tonnes per year).

Private entrepreneurs started the production of electric furnace steel in Italy, mainly in the North, in the 1950s. The electric furnace is more compact, requires less space, is much more flexible and, above all, requires much smaller capital for both investments and working capital.

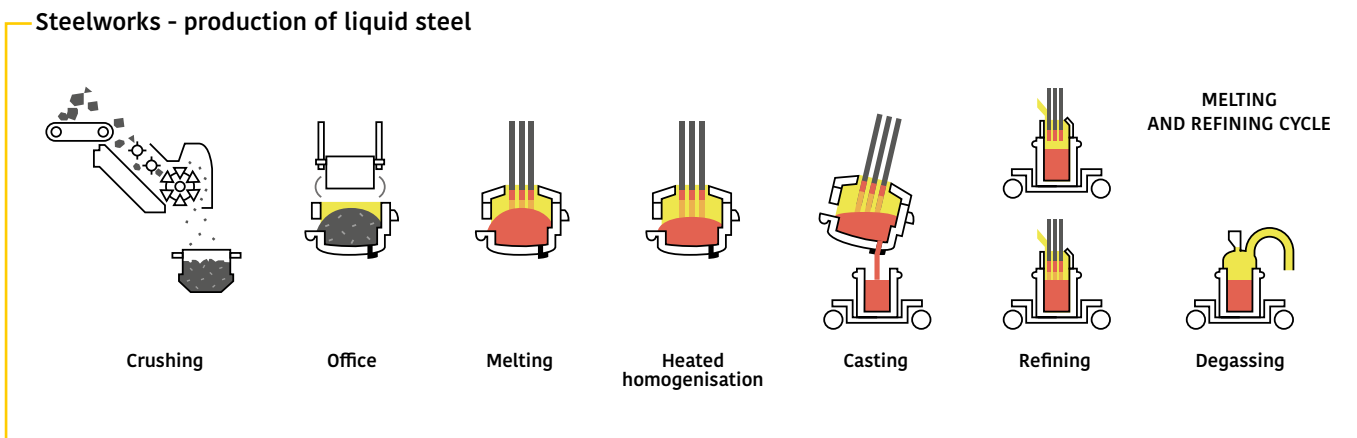
Moreover, by concentrating the melting in a single phase and a single plant, the electric furnace has a much lower environmental impact both in terms of emissions and the production of scrap.

Acciaierie Venete steel is produced by an electric furnace. This means that ferrous scrap, which is partly derived from scrap coming directly from production processes and partly from steel products that have reached the end of their life cycle, represents the main raw material used.

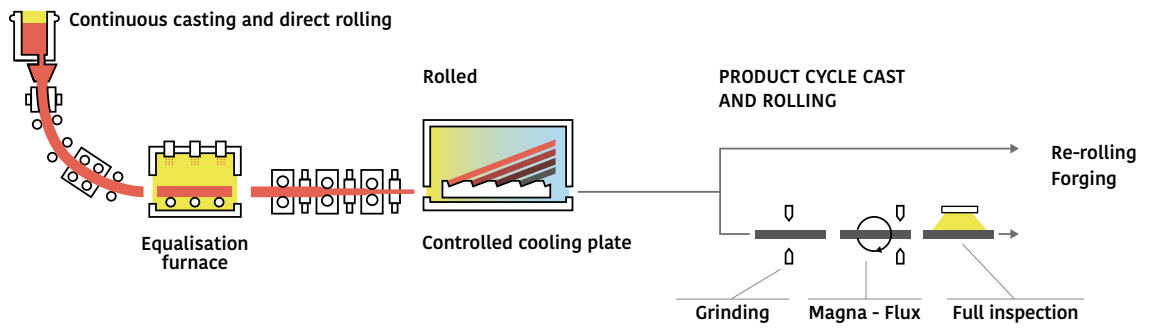
### The advantages of using an electric furnace



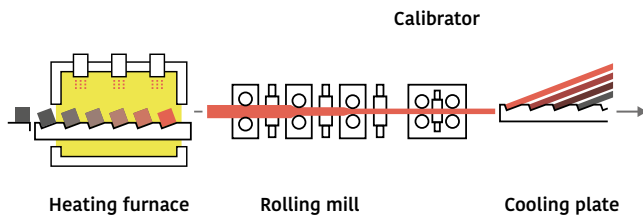
Acciaierie Venete's production starts with the electric furnace and is divided into the following steps:



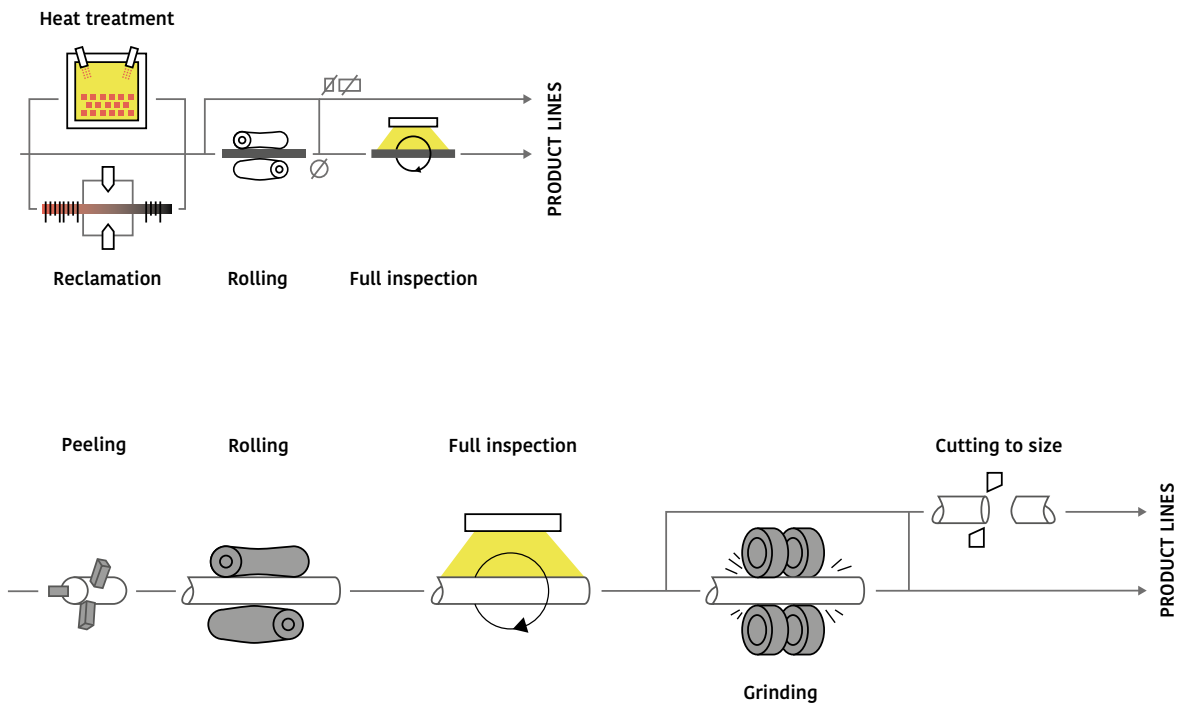
**Continuous casting - billet and bloom production**



**Rolling mill - roll production**



**Finishing - processing and treatment of surfaces**



### 3.2 Scrap: a durable and reusable material

Steel offers a significant level of “circularity” of use. In fact, the material is 100% recyclable for multiple cycles without losing its original properties. Indeed, unlike other materials that are considered “recyclable”, steel is a durable material that can be recast over and over again without ever losing any of its intrinsic properties like strength, versatility and formability. The ratio between the collection volumes of ferrous materials and steel packaging and those produced for consumption has recently been included among the indicators used to measure the circular economy in Italy<sup>1</sup>.

The definition of Waste raises the broad, structured topic of ferrous scrap waste, a strategic raw material of fundamental importance for the Italian Steel Industry.

The origin of Ferrous Scrap can be reconstructed as follows:



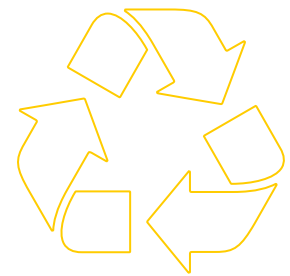
**INDUSTRY/PRODUCTION**



**INDUSTRIAL/MUNICIPAL DEMOLITIONS**



**MUNICIPAL COLLECTIONS**



The processing of Ferrous Scrap Waste takes place in authorised and specialised companies, which through standard operating procedures change the status of the raw material from waste to **“NON-WASTE”** (Reg. 333/2011 End of Waste) regenerating/recovering both an economic and productive value. This legislation aims to stimulate recycling markets within the European Union through provisions that serve to clarify the legal concept of waste. Metal scrap should not be classified as waste as long as:

- the ferrous material is clean and safe;
- suppliers implement a quality management system;
- in compliance with the criteria specified, a declaration of conformity is provided for each consignment of scrap.

To treat ferrous scrap as “non-waste”, the necessary treatments (such as cutting, crushing, washing and de-pollution) must be performed to prepare the material for final use in melting or steel-processing plants.

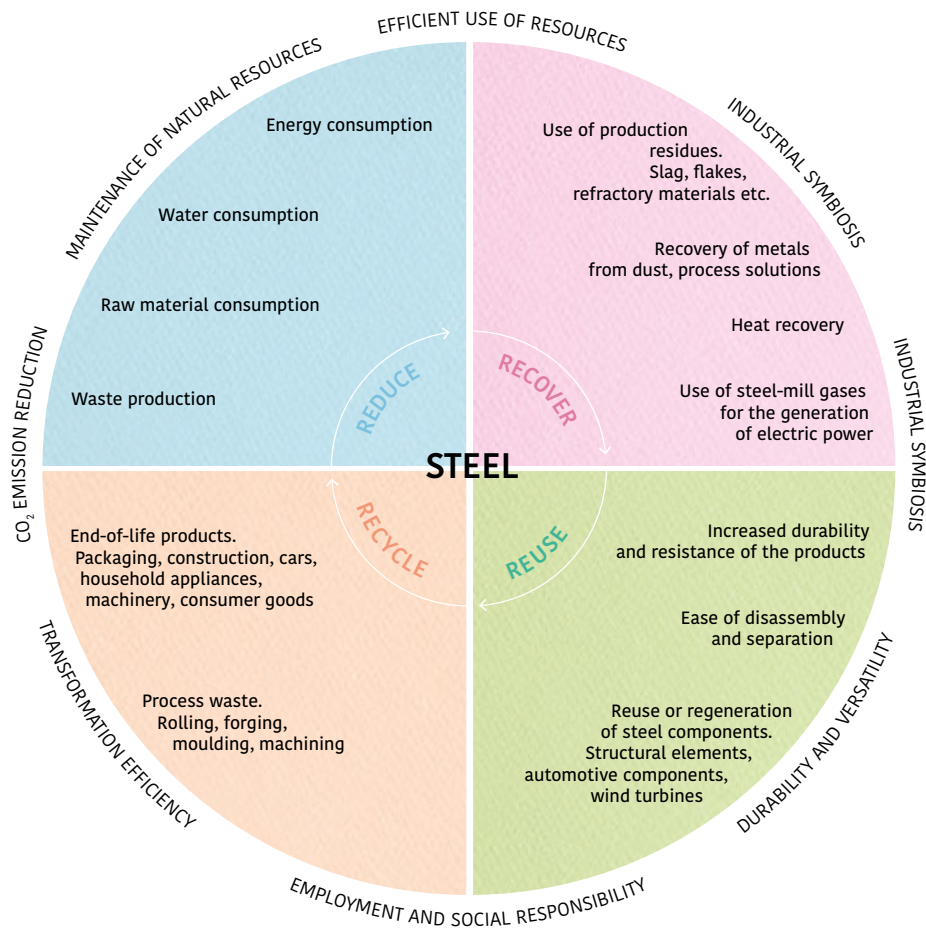
<sup>1</sup> Ministry of the Environment and Protection of Land and Sea in collaboration with the Ministry of Economic Development, Circular economy and efficient use of resources - Indicators for measuring the circular economy, 2018.

The circularity of steel, the containment of water consumption, the reduction of waste production and the reuse of by-products all contribute to building a sustainable economy.

The steel cycle can therefore be represented by four Rs:

**REDUCE, REUSE, RECYCLE, RECOVER.**

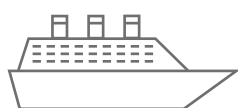
**The logic of the four Rs applied to steel**



All steel products - from those with a shorter life cycle (e.g. packaging) to those with an intermediate life cycle (motor vehicles) to those with a longer life cycle (e.g. construction products) - achieve recycling rates greater than 85%.

**3.2.1  
Scrap: Genesis  
of a strategic  
raw material**

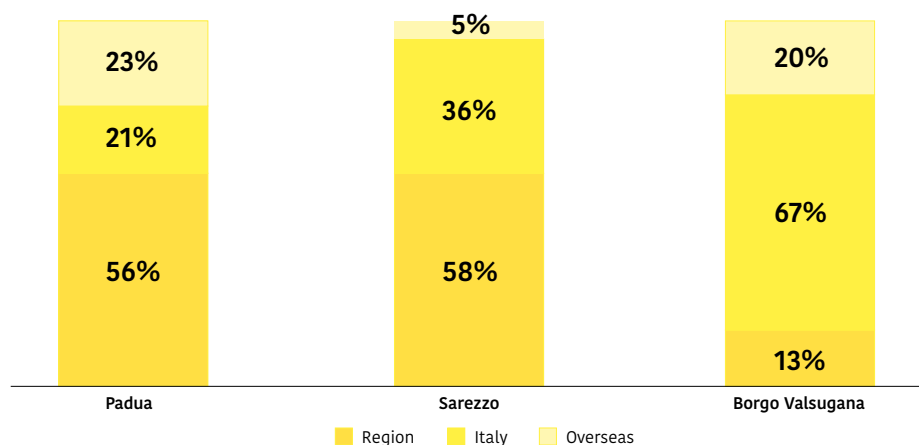
The group's focus is to develop and stimulate green issues of the circular economy in the steel sector. In fact, Acciaierie Venete recovered/recycled over 1,500,000 tonnes of Non-Waste Ferrous Scrap in 2019. In Europe and in particular in Italy, a country that mostly uses "electric furnace" production, ferrous scrap must be considered a "strategic raw material". The import/export of scrap is regulated by European regulations (among others, EU Regulation no. 837/2010; EU Regulation no. 333/2011, EU Regulation no. 715/2013), with which the Acciaierie Venete Group also complies. The scrap is rigorously selected on the basis of its qualitative characteristics when purchased and when entering the Group's steelworks so that it is compliant with national, European and international regulations.



**In 2019, more than 1.5 million tonnes of ferrous scrap was recast in the electric furnaces of Acciaierie Venete's plants, a weight equal to 10 cruise ships.**

Acciaierie Venete's scrap supply comes both from Italy and abroad, in 2018 and 2019 contributing to a production capacity of 1,800,000 tonnes of steel per year. Indeed, for the Sarezzo (Brescia), Padua and Borgo Valsugana (Trento) plants 47% of total scrap was purchased from local suppliers<sup>2</sup> (in 2018 this percentage was 48%).

**Geographical sources of scrap for the year 2019**



The local supplies of steel mills in Sarezzo and Padua come from a dense concentration of steel and scrap producers in the regions of Lombardy and Veneto. For the Borgo Valsugana plant the value of the local supply is lower due to the scarcity of mechanical companies producing scrap in the area.

<sup>2</sup> Suppliers with registered offices in the same region as the plant in question are considered "local".

Acciaierie Venete avails itself of the support of Padana Rottami S.r.l. for the supply of over 40% of its ferrous and non-ferrous scrap. Acciaierie Venete is wholly controlled by the parent company, which acts as a link between the world of scrap production/collection, i.e. factories and collection centres, and end users, i.e. steelworks.

**Padana Rottami S.r.l.**

<b>Profile</b>	Founded as a spin-off of Sidemar (Società Industriali Demolizioni Riparazioni Marittime) in Trieste, today Padana Rottami has two production units and a company staff of about 80 employees. It purchases, processes and sells scrap in Italy and abroad.
<b>Business</b>	Padana Rottami's core business is the purchasing of scrap iron, its collection with special vehicles, its transformation from waste material into a homogeneous raw material and its sale to the end customer.
<b>Certifications and applicable regulations</b>	<p><b>ISO 14001:2015</b>      Environmental management system</p> <p><b>ISO 9001:2015</b>      Quality management system</p> <p><b>Regolamento (UE) n. 333/2011</b>      Provides criteria on when to stop classifying certain types of metal as waste as per Directive 2008/98/EC of the European Parliament and of the Council</p> <p><b>Regolamento (UE) n. 715/2013</b>      Provides criteria on when to stop classifying copper scrap as waste as per Directive 2008/98/EC of the European Parliament and of the Council</p>





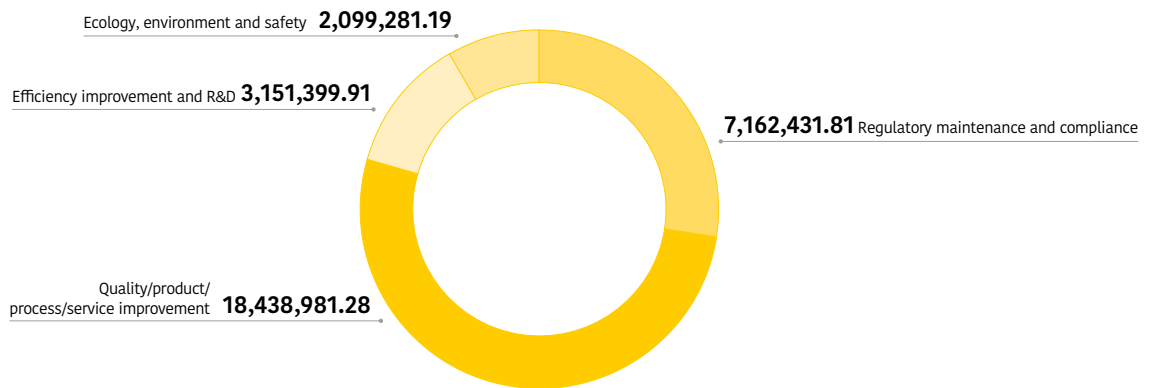
**3.3**  
**Our plants:**  
**100% Italian**  
**production**

The Acciaierie Venete S.p.A. group has a total of 11 plants, distributed across Northern Italy, that carry out steel processing, hot forming, finishing, heat treatment and cold working. Our steel is produced in Padua, Sarezzo and, thanks to a recent acquisition, Borgo Valsugana. It is transformed into finished products in Padua, Sarezzo, Mura, Dolcè, Odolo and Buia and, for some applications, further processed in Modena and Idro.

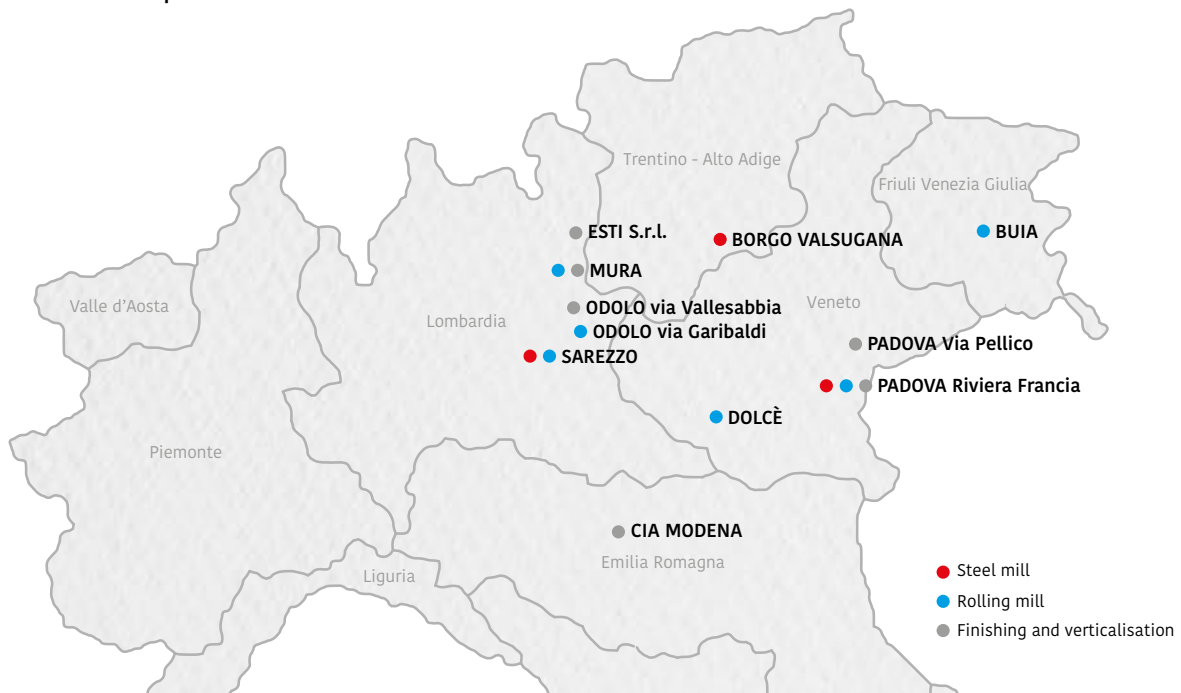
The investments made in recent years and those currently planned have enabled the Group to increase production efficiency and process quality while also enhancing its management of environmental aspects and occupational health and safety.

Major investments continued during 2019 for a total amount of almost € 31 million. Of this, approximately € 9 million are earmarked for investments in the Borgo Valsugana and Odolo plants, acquired towards the end of 2018, to bring them into line with the quality and safety standards of the rest of the Group.

**Investments (2019) Total € 30,852,094.19**



The Acciaierie Venete production sites



**THE NEW ROLLING MILL FOR SPECIAL STEEL BARS**

LAM3, the new rolling mill for special steel bars was built at the **PADUA RIVIERA FRANCIA** plant in a new indoor facility measuring 21,000 square metres.

With a production capacity of 80 t/h it receives round blooms (200-240 mm diameter) from the CC2 and produces round bars ranging from a minimum of 18 mm to a maximum of 83 mm in diameter. The plant was designed according to a **4.0 AUTOMATION** concept that optimises processes and predictive and maintenance activities.

The plant is equipped with a system that acquires data directly from the process control sensors. The information is collected and structured according to process logic and submitted to the quality system.

Equipment and production quality data are analysed in an integrated manner to define or modify the manufacturing and control plan and to schedule maintenance. The plant generates the data that are then processed to improve the process knowledge. The regulation and control system is based on big data, machine learning and artificial intelligence systems.

**Facility**

**Padua**  
Riviera Francia 9  
  
Area of  
448,758 m<sup>2</sup>  
of which  
123,240 indoors

**Plants**

**Electric furnace** with 105 t/h nominal capacity and 70 MVA transformer

**2 10 MVA ladle furnaces**

**2 degassing plants**

**3 continuous casting machines** with parabolic ingots:

- CC2, 4 lines, 7 m radius, parabolic ingots
- CC3, 3 lines, 10 m radius
- CC4, 3 lines, 14 m radius

**2 methane heating furnaces** with a capacity of 80 t/h

**2 rolling lines:**

- **LAM 1:** 1 VAI reversible blank with sliding cage, 8 vertical/horizontal cages, 2 shears, 1 profilometer
- **LAM 3:** 1 BDM reversible sliding blank, 12 horizontal vertical intermediate cages, 4 finishing cages with DSD calibrator, 2 profilometers, 4 flying shears, 3 in-line tanks for thermomechanical rolling

**Finishes and treatments:** 7 rollers, 1 peeler for round bars, 9 ovens for sub-critical annealing, 3 of which with the possibility of forced cooling

**Cutting and packaging service:** 1 disc saw, 1 static shear, 2 binders

**Checks:** 8 in-line ultrasonic control devices, including 3 with phased array technology, 3 with rotating probes, 2 with flat and angled fixed probes; 6 in-line dispersed flow control devices, 1 in-line parasite current control equipment, 6 in-line magnetic particle control devices

**Laboratory** for mechanical, chemical, metallographic, x-ray spectrographic and radiometric tests equipped, among other things, with 3 optical emission spectrometers, 1 X-ray fluorescence spectroscope, 1 scanning electron microscope, 2 metallographic microscopes connected to cameras, 2 Carbon Sulphur and Oxygen, Hydrogen and Nitrogen determiners, 1 automatic high-frequency ultrasound control machine (10 MHz), automatic Jominy test instruments, radiometric detection instruments, traction machine, durometers, Charpy and Brugger pendulum impact testers

**Products**

Rounded edge billets measuring 120 and 160 mm  
Round blooms 200, 240, 280, 350, 420, 500 and 600 mm in diameter

Rolled round bars 20 to 200 mm diameter  
Rolled billets measuring 30 to 200 mm  
Peeled round bars 30 to 130 mm in diameter  
Reclaimed round bars 30 to 125 mm in diameter



**Facility**

**Padua**  
Via Pellico  
  
Area of  
81,852 m<sup>2</sup>  
of which  
33,746 indoors

**Plants**

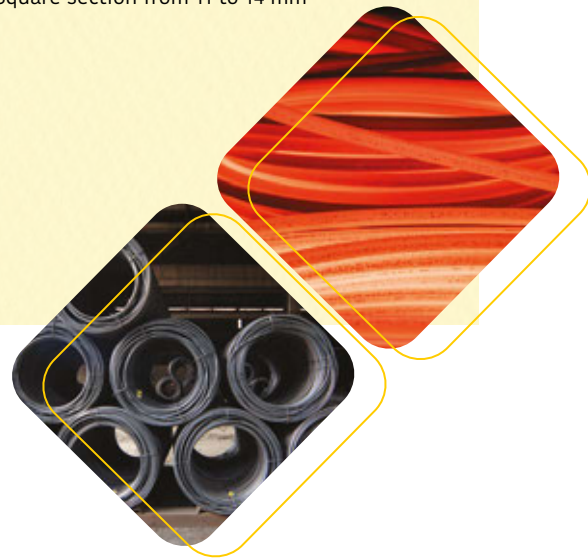
**Finishes and treatments:**

- 2 furnaces for sub-critical annealing
- 3 tonne/h reclamation plant for finished product Ø28-130 mm

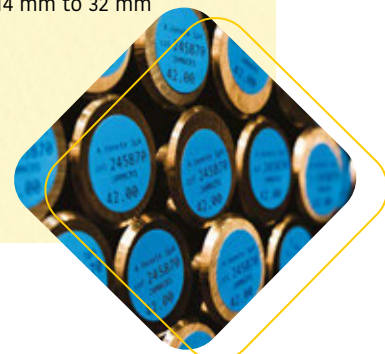
**Products**

Round bars and annealed blooms of the entire production range  
Annealed billets of the entire production range  
Reclaimed round bars 28 to 130 mm in diameter

Facility	Plants	Products
<p><b>Sarezzo (BS)</b> Via Antonini</p> <p>Area of 89,082 m<sup>2</sup> of which 46,680 indoors</p>	<p><b>95 t/h electric furnace</b> of nominal capacity with 70 MVA transformer</p> <p><b>15 MVA ladle furnace</b></p> <p><b>2 continuous casting machines:</b></p> <ul style="list-style-type: none"> <li>- CCA, 4 lines, 7 m radius</li> <li>- CCB, 4 lines, 10 m radius</li> </ul> <p>73 t/h preheating furnace and mobile spar heating furnace</p> <p>Single-line continuous <b>rolling train</b> with 23 tandem cages, automatic dimensional control, defect control with "SurfaceCheck" and eddy currents with "Pruftechnik" device</p> <p><b>Roll plant:</b> 2 supply lines for winders, 2 controlled cooling boxes for each line, 2 Garret winders, mobile spar tunnels and forced cooling station</p> <p><b>Bar plant:</b> cooling plate with speed up to 18 m/s</p> <p><b>Cutting and packaging service:</b> pendulum shear for multi-bar cutting, 2 binders</p> <p><b>Laboratory</b> for mechanical, chemical, metallographic, x-ray spectrographic and radiometric tests</p>	<p>Billets and slabs measuring 160 x 160, 160 x 220, 160 x 300</p> <p>Billets and slabs measuring 160 x 220, 200 x 240, 200 x 392</p> <p>Diameter from 12 to 48 mm</p> <p>Square section from 11 to 14 mm</p>



Facility	Plants	Products
<p><b>Dolcè (VR)</b> Via Passo di Napoleone</p> <p>Area of 79,590 m<sup>2</sup> of which 34,334 indoors</p>	<p>Push-on <b>heating furnace</b> with a capacity of 40 t/h</p> <p><b>Rolling train</b> consisting of a 6-stroke reversible sliding duo bloom and a continuous 15-cage line, automatic dimensional control, defect control with "SurfaceCheck"</p> <p><b>Roll plant</b> with two Garret winders, roll weight 1,000 kg</p> <p><b>Bar plant</b> cooling plate with speed up to 11 m/s</p> <p><b>Cutting and packaging service:</b> pendulum shear for multi-bar cutting, 1 packer, 2 binders</p> <p><b>Laboratory</b> for mechanical tests</p> <p><b>Finishes and treatments:</b></p> <ul style="list-style-type: none"> <li>- straightening</li> <li>- cutting for correction of head defects with band saws</li> </ul>	<p>Flat profiles from 20 mm to 130 mm in width Thicknesses from 5 mm to 32 mm Square profiles from 14 mm to 32 mm Special custom profiles</p> <p>Flat profiles from 20 mm to 80 mm in width Thicknesses from 5 mm to 32 mm Square profiles from 14 mm to 32 mm</p>



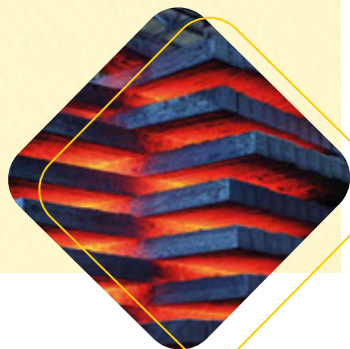
**THE FIRST-EVER DEGASSING SYSTEM IN BORGIO VALSUGANA**

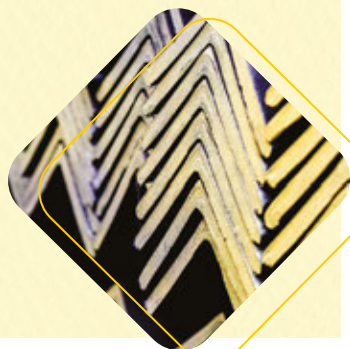
In order to improve the quality of the billets produced by the Borgo Valsugana steel mill, a **NEW DEGASSING PLANT** for vacuum production was built between the end of 2019 and the beginning of 2020.

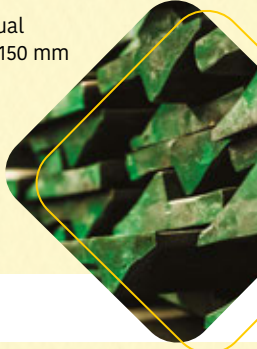
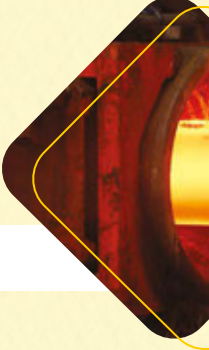
Once the necessary temperature and alloy adjustments have been made in the LF, the ladle is transported to the VD treatment station. The vacuum tank is sealed by the lid and the closed tank is connected to a vacuum pump that creates the low pressure necessary for the system to facilitate the extraction of gases.

The plant uses mechanical pumps and is equipped with a **DUST REDUCER SLEEVE FILTER**.

In the field of secondary metallurgy, the plant makes it possible to improve billet quality in terms of purity and inclusions by extracting hydrogen, nitrogen, oxygen and light metal powders.

<p><b>Facility</b></p> <p><b>Borgo Valsugana (TN)</b> Via Puisle</p> <p>Area of 143,000 m<sup>2</sup> of which 33,700 indoors</p>	<p><b>Plants</b></p> <p><b>100 t/h electric furnace</b> of nominal capacity with 60 MVA transformer</p> <p><b>2 20 MVA ladle furnaces</b></p> <p>Vacuum <b>degassing system</b>, with dry mechanical pumps</p> <p><b>Continuous casting machine</b>, 4 lines, 8 m radius</p> <p><b>Laboratory</b> for mechanical, chemical, metallographic, x-ray spectrographic and radiometric tests</p>	<p><b>Products</b></p> <p>Squares 120, 140, 160 and rounds 140 and 180</p> 
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<p><b>Facility</b></p> <p><b>Buja (UD)</b> Via Andreuzza</p> <p>Area of 138,424 m<sup>2</sup> of which 14,003 indoors</p>	<p><b>Plants</b></p> <p><b>Heating furnace</b> with a capacity of 40 t/h</p> <p><b>Rolling train</b> consisting of a bloom trio and then 18 continuous cages</p> <p>Dimensional and quality <b>checks</b></p>	<p><b>Products</b></p> <p>Merchant round, square and rectangular bars and rods</p> 
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<p><b>Facility</b></p> <p><b>Mura (BS)</b> Località Breda</p> <p>Area of 84,785 m<sup>2</sup> of which 43,000 indoors</p>	<p><b>Plants</b></p> <p><b>Heating furnace</b> with a capacity of 100 t/h</p> <p><b>Rolling train</b> consisting of three parts: reversible duo (Blooming); reversible intermediate train consisting of two cages, one horizontal and one vertical; finishing train consisting of 8 in-line cages</p> <p><b>Cutting and packaging service</b></p> <p><b>Finishes and treatments:</b></p> <ul style="list-style-type: none"> <li>- straightening</li> <li>- cutting for correction of head defects with band saws</li> <li>- annealing heat treatment</li> <li>- reclamation treatment through tempering and reconstitution</li> </ul> <p><b>Dimensional checks</b> on all production and surfaces for laminates intended for automotive use</p>	<p><b>Products</b></p> <p>Flat profiles with width from 400 mm to 50 mm and thicknesses from 100 mm to 5 mm</p> <p>Profiles for MMT with width from 406 mm to 110 mm and thicknesses from 60 mm to 12 mm</p> <p>Profiles for MMT Mezze Frecce (HA) with widths from 250 mm to 110 mm</p> <p>Square profiles with sharp edges from 90 mm to 40 mm</p> <p>Angular profiles with equal wings with widths from 150 mm to 100 mm</p> 
<p><b>Facility</b></p> <p><b>Odolo (BS)</b> Via Garibaldi</p> <p>Area of 97,353 m<sup>2</sup> of which 32,019 indoors</p>	<p><b>Plants</b></p> <p>Mobile spar <b>heating furnace</b> with a production capacity of 75 t/h</p> <p><b>Rolling train</b> consisting of 17 in-line cages, an 80-metre long cooling plate</p> <p><b>Cutting and packaging service</b></p> <p><b>Finishes and treatments</b> include: three rollers for straightening the rounds, a straightening line for the moulding billets, a straightening line for the plates and a furnace for annealing heat treatments</p> <p><b>Checks:</b> a dimensional meter has been installed on the rolling line for round bars that controls them along the entire lengths, and there is an induced current instrument for detecting surface defects. Two dispersed flow controls and an ultrasonic control are installed at the finishing section</p>	<p><b>Products</b></p> <p>Round bars with a minimum diameter of 18 mm to a maximum diameter of 105 mm</p> <p>Billets for moulding with a minimum side of 30 mm to a maximum of 80 mm</p> <p>Plates with widths from 130 mm to 100 mm having thicknesses from 60 mm to 8 mm</p> <p>Plates with widths from 90 mm to 50 mm having thicknesses from 60 mm to 30 mm</p> <p>Square bars with sharp edges with 100 mm side</p> 
<p><b>Facility</b></p> <p><b>Odolo LAF (BS)</b> Via Vallesabbia</p> <p>Area of 14,252 m<sup>2</sup> of which 7,026 indoors</p>	<p><b>Plants</b></p> <p><b>2 rollers</b> for rolled straightening of rounds with a minimum diameter of 22 mm to a maximum of 85 mm.</p> <p><b>3 saw blades</b> for heads</p> <p><b>2 peeling</b> lines complete with rolling and checking for diameters from 20 mm to 80 mm that can work bars with lengths between 3000 mm and 9100 mm</p> <p><b>2 grinding</b> lines for diameters from 20 mm to 80 mm</p> <p><b>1 cutting and chamfering</b> line for diameters from 20 mm to 80 mm that can process bars with lengths between 2500 mm and 8000 mm</p> <p><b>Checks:</b> two induced current devices for detecting surface defects are installed on the peeling lines, and all material processed is checked with a portable spectrometer</p>	<p><b>Products</b></p> <p>Round bars with a minimum diameter of 20 mm to a maximum of 80 mm</p>

### 3.4 Reference markets

Acciaierie Venete plants produce a wide range of quality and special steels in all the main types and brands: carbon, low, medium and high alloyed, boron, micro alloyed, with improved machinability. These products are intended for all the main uses: hot forging, forging, cold forging, mechanical processing, drawing and peeling and a wide array of subsequent heat treatments (hardening, cementation, reclamation).

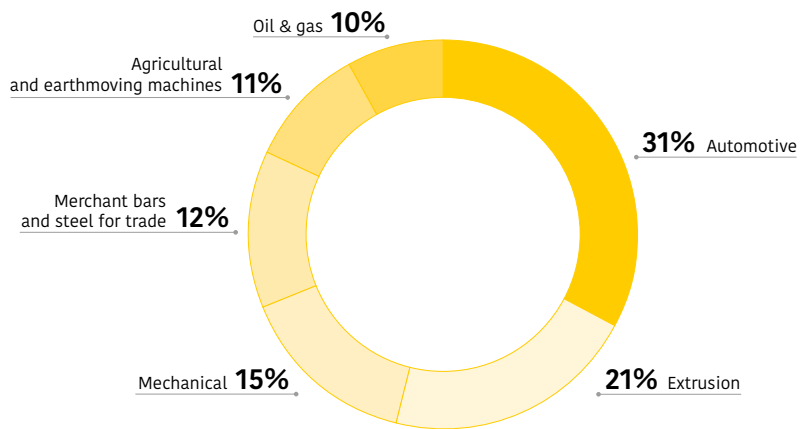
With its production of semi-finished, rolled and verticalised products, Acciaierie Venete is strongly oriented towards the speciality field, designing and manufacturing steels to meet the complex engineering requirements and high quality demands of all industries that use steel: light and heavy vehicles, earthmoving machinery, agricultural machinery, energy, oil and gas, bearings, springs, shipbuilding, construction and special mechanical parts of every possible type.

An extremely broad production range, both in terms of shapes and sections and in terms of steel brands, combined with a widespread commercial network means that the company can count the world's most important industrial brands that use steel among its customers.

For the three-year period 2017-2019, the automotive industry was the top sector among all of Acciaierie Venete's main buyers.

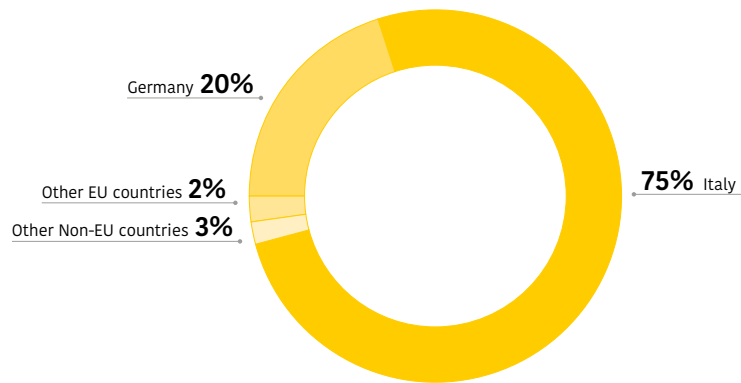
Breaking down sales by geographic markets, Italy remains the most important customer while Germany is still by far the most significant foreign market.

#### Breakdown of 2019 sales by sector

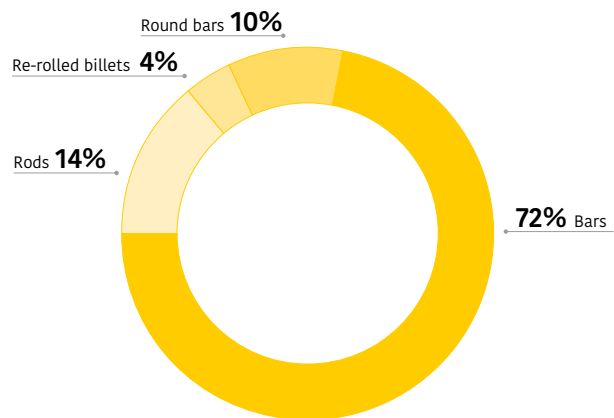


Again in 2019, production of rolled round bars represented the most important share of Acciaierie Venete's sales, followed by all other rolled products (flats, wire rods and special profiles) and semi-finished products for direct forging and rerolling (rounds, billets, blooms and slabs). As regards the geographical segmentation of sales, Italy remains the company's primary market.

### Breakdown of 2019 sales by geographical area



### Breakdown of 2019 sales by product type

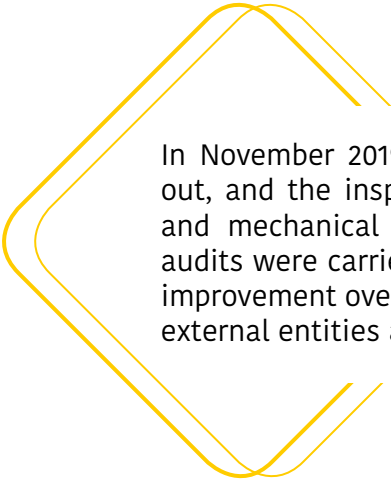




### 3.5 Certified quality for quality products

Our decision to continuously improve processes, products and services has led the company to implement a Quality System in compliance with the requirements of UNI EN ISO 9001:2015. At the date of this document, all production units where design and production of alloy and non-alloy steel products are carried out have implemented this management system<sup>3</sup>.

Moreover, the Padua and Sarezzo sites are IATF 16949:2016 certified for the same type of activities for the automotive sector.



In November 2019 an audit according to the new IATF 16949 standard was carried out, and the inspection to maintain the qualification of steels for the automotive and mechanical engineering industries was successful. Furthermore, 42 internal audits were carried out as per the annual calendar with an average score of 97%, an improvement over the previous year. External audits were also performed out both by external entities and by Group customers.

The quality of our products, which meet top standards in the industry, make Acciaierie Venete steel one of the most qualified in the European market for engineering steels, steels designed for mechanical engineering and similar applications that require rigorous levels of technological characteristics, including ductility, toughness and fatigue strength.

Quality avails itself of the support of the various Plant Managers, who implement the practices defined at a regional level.

At a Group level there is a quality management manager who coordinates laboratory tests, technical support for customers, feasibility of orders, product certification and technological offers. In other words, this function oversees the products' manufacturing and transformation processes, evaluating the strengths, weaknesses, threats and opportunities for each product made in order to ensure customer satisfaction and protect the welfare and health of workers and customers.

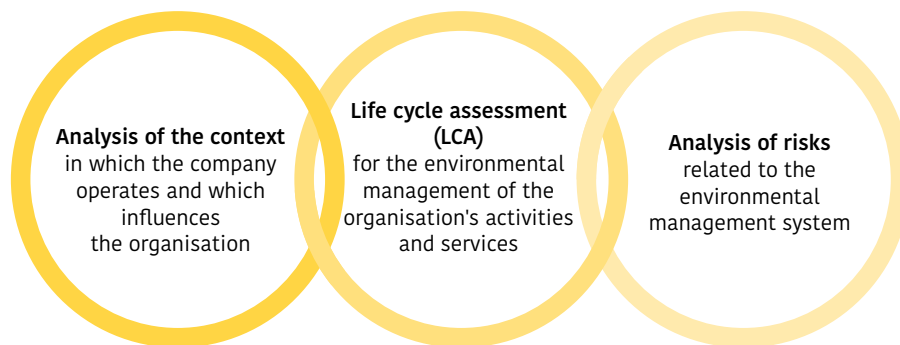
All products are accompanied by a test certificate that attests to the results of quality tests conducted in the laboratory and the absence of radioactive contamination. This document makes it possible to trace the product's main production steps. Moreover, the traceability and safety of Acciaierie Venete's products is guaranteed by aluminium or plastic plates containing qualitative indications of the product, such as: the casting ID, the section, the steel brand. Over the coming years, investments are also planned in the field of digital product traceability.

<sup>3</sup> Certified quality management system in the operating units of: Riviera Francia, Padua (Steelworks and rolling mill), Via Silvio Pellico, Padua (Rolling mill), Brescia (Sales offices), Sarezzo - Brescia (Steelworks and rolling mill), Mura - Brescia (Rolling mill), Dolcè - Verona (Rolling mill), Buia - Udine (Rolling mill), Odolo - Brescia (Rolling mill), Borgo Valsugana - Trento (Steelworks)

Acciaierie Venete has certified the production process of its products, in 1998 earning the certification of its quality management systems, in 2011 the certification of its environmental management systems (compliant with the requirements of UNI EN ISO 14001:2015) and in 2014 the certification of its energy management systems (compliant with the requirements of UNI EN ISO 50001:2015).

Acciaierie Venete's Integrated Environment and Energy Management System is built on three pillars:

#### The pillars of Acciaierie Venete's Integrated Management System



In order to guarantee high quality standards and support the distribution and knowledge of the Environmental Policy at all levels of the organisation, the Group continuously spreads its fundamental principles both internally, through regular meetings with department heads and internal training and auditing, and externally, with the involvement of service providers on behalf of the company.

Lastly, it should be noted that in 2019 the position of Product Safety Officer (Produktichereitsbeauftragten) was established. This decision was taken on the one hand to respond to the requests of some leading customers in the automotive sector, but also anticipating the increasingly stringent Italian, German and European regulations on product safety. The Product Safety Officer was appointed to supervise production for the automotive sector at the Riviera Francia plant in Padua. The officer:

- Analyses and defines production processes and set priorities for the prevention of defects during product development.
- Works with production for the preparation and subsequent implementation of Failure Mode and Effects Analysis (FMEA).
- Works with production to design and develop products, leveraging lesson learned.
- Coordinates execution, ensuring the correct implementation of periodic checks of production processes and the product itself, especially aspects relating to the safety of the product shipped to the customer.
- Assesses the likelihood of failure of safety-related aspects of defined products.
- Verifies the implementation and effectiveness of the containment measures and corrective actions implemented following any customer complaints.

The Product Safety Officer reports directly to the Managing Director, and, as part of his/her duties as Quality Manager, has the authority to suspend the production of the aforementioned products if there are issues that could potentially affect or reduce product safety levels or otherwise cause damage to the company's image. Therefore, the Product Safety Officer is also responsible for coordinating the controls and tests that are deemed necessary to ensure the required product safety levels. As in previous years the achievement of the Quality Department's quality objectives was encouraged through the payment of a performance bonus linked to the quality of the work done, the production carried out and the days of absence of workers.



### 3.6 Sustainable innovation

The Italian steel industry is aware of the decisive role of innovation in ensuring future competitiveness, which is why it requires proper encouragement and financing. Indeed, the sector is constantly studying the best available technologies and continuously improving processes and products in order to maintain high quality standards.

Acciaierie Venete aims to play an active role in the introduction of technologies that guarantee process quality, product innovation and improved sustainability performance in terms of environmental protection and occupational health and safety (OHS). To this end, in 2019 Acciaierie Venete continued to focus its efforts on the company's research and development, which have largely involved the Technical and Quality Departments in some important projects. During 2019, the company's Research and Development Centre was set up in order to deal in a structured manner with studies and independent research carried out in collaboration with qualified external bodies. The studies concerned certain phases of the steel production process in order to improve its quality and performance. In addition, in order to increase the sustainability of its processes and products, an experimental project continued for the production of lead-free, highly machinable, environmentally friendly steels. Below are the most significant initiatives and some partnerships in innovative projects.



#### Sant'Anna High School

##### Advanced simulation with digital twin models for the evaluation of energy and environmental aspects related to steel production

*In 2019 an agreement was signed with Sant'Anna High School with the aim of developing an environmental impact assessment tool using advanced simulation mechanisms. The models defined within this research and development project make it possible to simulate in advance the environmental impact of production with respect to various aspects (e.g. water consumption, energy consumption, quality and quantity of fumes, dust and slag produced) and therefore to set the process operating parameters that allow a minimisation of environmental impacts.*



#### University of Padua

##### Development of predictive models for continuous casting

*Signed in 2018 with the Department of Computer Engineering of the University of Padua and continued in 2019, the agreement was created to identify models better suited to making use of the information derived from the variables that govern continuous casting and hot rolling processes and the consequent impact on certain parameters that affect the quality of the final product. Specifically, through the analysis of historical, process and product data collected during production monitoring, this project has made it possible to start developing machine learning algorithms aimed at predicting casting quality parameters and therefore correcting any process parameters in advance.*



#### Industry 4.0

*During 2019 the Research and Development Centre of Acciaierie Venete carried out further research into Industry 4.0. In particular, in partnership with other private sector players, prediction and quality optimisation systems were investigated through the implementation of machine learning and big data analysis solutions focused on the flow of material from liquid steel to the finished product.*



#### **Rina Consulting**

##### **Experimental studies on the production of lead-free, highly machinable, environmentally friendly steels**

*The project launched with Rina was completed, having experimented with a highly machinable steel that does not contain lead. Initial tests yielded positive results regarding the possibility of producing a steel that is on the one hand environmentally friendly (with reduced impact on the people who work with it as well as on the surrounding environment) and on the other hand similar to leaded steels in terms of performance and malleability.*



#### **Company Research and Development Centre**

##### **Experimental studies on the definition of technological parameters for the casting of a new T200 section**

*In 2019 Acciaierie Venete internally developed a project for the implementation of a new T200 section for continuous casting CC2. This section can supply the new rolling mill or it can be used for direct sales. The final objective of the project is to ensure maximum quality performance across the entire range of steels produced.*

##### **Study of immersion-tundish coupling to minimise re-oxidation during casting**

*The Research and Development Group launched an experimental programme aimed at understanding oxidating phenomena in the sub-tundish area. The activity involves the study of differently engineered immersion systems and the consequent detailed analysis of the product using advanced techniques of examination with high frequency ultrasound.*

##### **Application of OES-PDA techniques for determining inclusion status in real time**

*Thanks to recent investments in the most modern OES tools as part of the Industry 4.0 development programme, the R&D team has undertaken a structured and intensive testing plan aimed at measuring inclusion density during the various steps of the production process. The ultimate objective is to develop one or more models for taking any corrective actions necessary to be able to intervene promptly in the production process and to improve the product's final properties.*

##### **Development of production methods for steels with high purity requirements ("clean steel")**

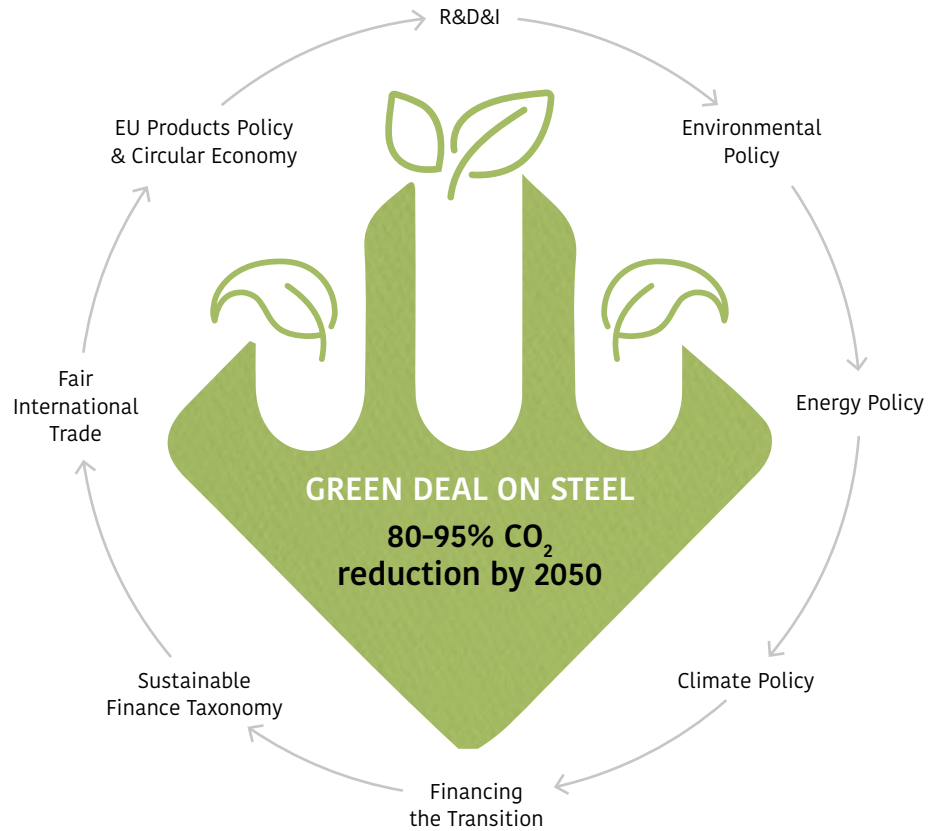
*Following the strategic guidance of the company's management, 2019 saw the research and development and production functions work together to develop a new production method. This new process aims to satisfy customers operating in the steel sector with high, stringent purity requirements. The success of the first tests led to an investment plan to support the plant engineering necessary for a reliable process.*

##### **Support for the specialised education of university students**

*Since 2004 every year Acciaierie Venete has hosted graduate students to do thesis work. Their studies and research generally concern metallurgy or other fields closely linked to the steel industry. The staff of the R&D group assist students with these projects, thus acting as company tutors. In 2019 the most significant thesis work was "Application of DoE for the optimal definition of the parameters of electromechanical stirrers in continuous casting".*



At the beginning of 2020 Acciaierie Venete joined ESTEP (European Steel Technology Platform), and through this organisation it is participating in the activities of the Clean Steel Partnership that in the period 2021-2027 aim to develop and perform large-scale testing on the technologies necessary to reduce CO<sub>2</sub> emissions in the European steel sector.









## 4. SOCIAL SUSTAINABILITY

## 4.1 Employees: our strength

The Acciaierie Venete Group strongly believes that human resources are key to the continuous improvement of the company's competitive advantage. Indeed, we foster personal development, participation and the company's ability to establish a strong identification process as they are critical success factors. The Group's human resource management policies are defined based on these unavoidable yet strategic assumptions.

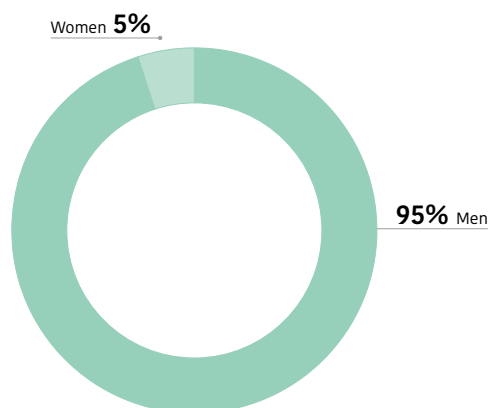
In the context defined above, the professional skills development system plays a fundamental role. A system that has been structured to encourage the acquisition of the professional skills needed to ensure an adequate job performance and establish a solid foundation for the development of future career paths.

The system is structured on three different macro areas:

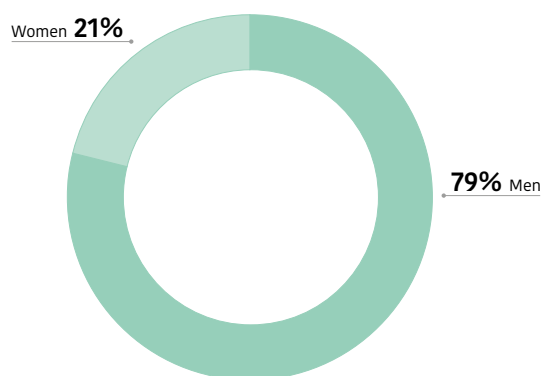
- **Occupational safety:** in addition to the mandatory training sessions, supplementary activities will be scheduled to encourage the pervasive diffusion of a safety culture at all organisational levels. A further objective is to ensure that the training provided is synergistically combined with safety improvement projects, in particular with the "zero accidents project", the "15 minutes for safety project" and the "improvement ideas project".
- **Professional skills:** whose development is guaranteed by combining targeted training with on-the-job coaching and career tracks.
- **Managerial skills:** one of the fundamental elements of the company's motivational system is its ability to offer human resources practical career development opportunities, thus ensuring – in parallel with the development of professional skills – the possibility of a related increase in levels of responsibility. These opportunities are offered through the company's Academy as well as in specific development projects, i.e. "young engineers project", described below.

At the end of 2019, Acciaierie Venete had 1,314 employees (an increase of 0.4% compared to the previous year), of which approximately 5% were women. All employees are covered by the National Collective Bargaining Agreement for Metalworkers supplemented by the second-level collective bargaining system. During 2019, 21 apprenticeship contracts were signed, a value in line with the previous year during which 20 apprenticeships had been added.

### Breakdown of employees by gender (2019)



### Breakdown of white-collar employees by gender (2019)



Employees by geographical area	2017		2018		2019	
	Total	%	Total	%	Total	%
Brescia	518	41%	533	41%	535	41%
Verona	71	5%	71	5%	69	5%
Padua	527	42%	545	42%	544	41%
Udine	60	5%	60	4%	63	5%
Trento	93	7%	100	8%	103	8%
<b>Total</b>	<b>1,269</b>	<b>100%</b>	<b>1,309</b>	<b>100%</b>	<b>1,314</b>	<b>100%</b>

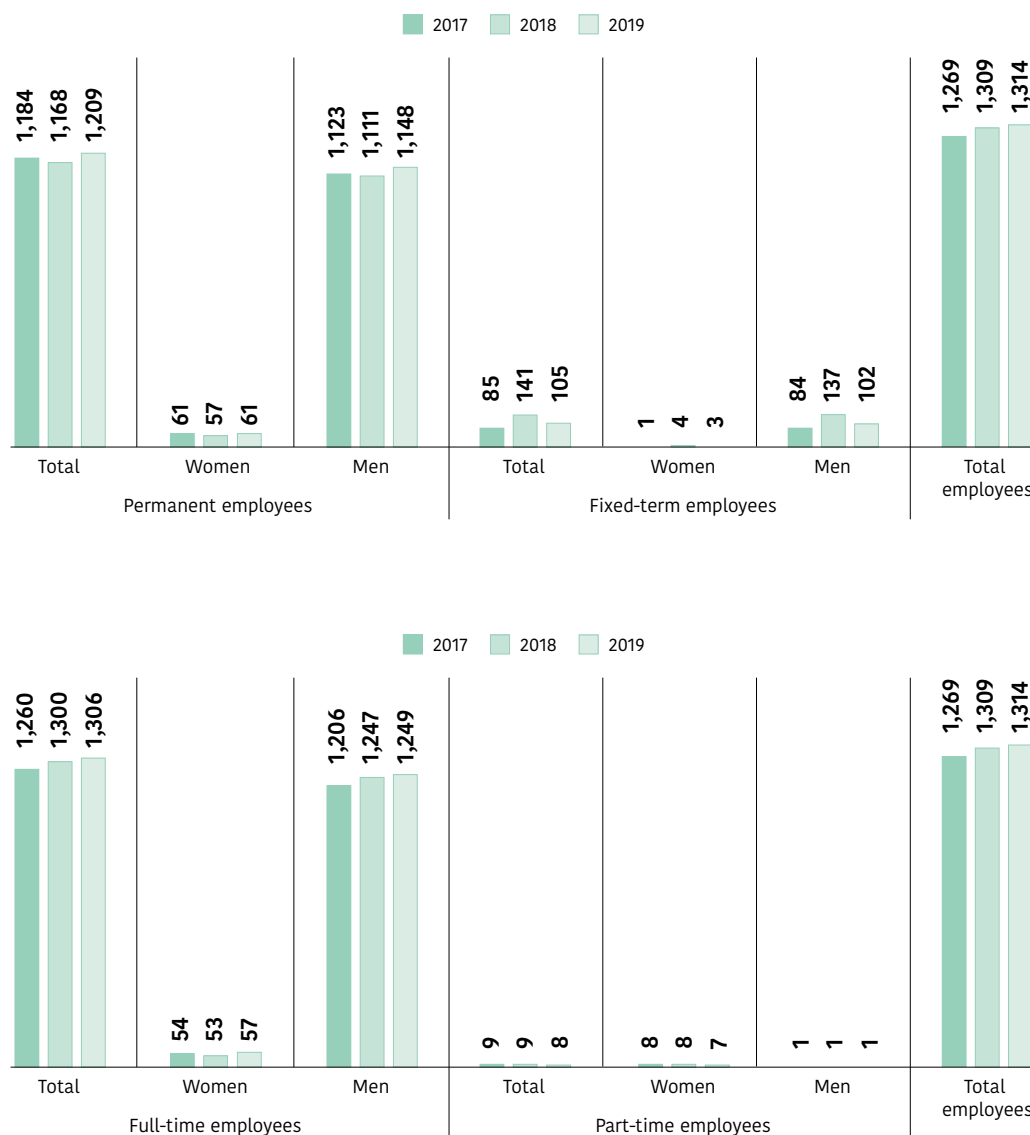
	<b>New hires</b>	<b>2017</b>	<b>2017 rate</b>	<b>2018</b>	<b>2018 rate</b>	<b>2019</b>	<b>2019 rate<sup>4</sup></b>
<b>MEN</b>	< 30 years	37	2.9%	105	8.3%	69	5.3%
	Between 30 and 50 years	36	2.9%	75	5.9%	35	2.7%
	> 50 years	15	1.2%	11	0.9%	7	0.5%
	<b>Total</b>	<b>88</b>	<b>7.0%</b>	<b>191</b>	<b>15.1%</b>	<b>111</b>	<b>8.5%</b>
<b>WOMEN</b>	< 30 years	2	0.2%	4	0.3%	3	0.2%
	Between 30 and 50 years	0	0.0%	1	0.1%	1	0.1%
	> 50 years	0	0.0%	0	0.0%	0	0.0%
	<b>Total</b>	<b>2</b>	<b>0.2%</b>	<b>5</b>	<b>0.4%</b>	<b>4</b>	<b>0.3%</b>
	<b>Total hires</b>	<b>90</b>	<b>7.1%</b>	<b>196</b>	<b>15.4%</b>	<b>115</b>	<b>8.8%</b>

	<b>Number of terminations</b>	<b>2017</b>	<b>2017 rate</b>	<b>2018</b>	<b>2018 rate</b>	<b>2019</b>	<b>2019 rate</b>
<b>MEN</b>	< 30 years	11	0.9%	54	4.3%	38	2.9%
	Between 30 and 50 years	33	2.6%	58	4.6%	18	1.4%
	> 50 years	30	2.4%	39	3.1%	53	4.0%
	<b>Total</b>	<b>74</b>	<b>5.9%</b>	<b>151</b>	<b>11.9%</b>	<b>109</b>	<b>8.3%</b>
<b>WOMEN</b>	< 30 years	2	0.2%	1	0.1%	0	0.0%
	Between 30 and 50 years	3	0.2%	2	0.2%	0	0.0%
	> 50 years	1	0.1%	2	0.2%	1	0.1%
	<b>Total</b>	<b>6</b>	<b>0.5%</b>	<b>5</b>	<b>0.4%</b>	<b>1</b>	<b>0.1%</b>
	<b>Total terminations</b>	<b>80</b>	<b>6.4%</b>	<b>156</b>	<b>12.3%</b>	<b>110</b>	<b>8.4%</b>

2019 saw a hiring rate of 8.8%, down from the previous year, but in line with the three previous years. The company tends to employ young people under 30 years of age, a sign of its desire to encourage intergenerational exchanges in the various departments.

<sup>4</sup> The recruitment and termination rate is calculated as the ratio between the number of recruits/terminations in a given category and the total number of employees in the workforce at 31/12 of the year preceding the reference year.

### Information about employees and other workers



In 2019 Acciaierie Venete increased the company's workforce by a few units, confirming the positive trend of recent years. The company continues to favour permanent contracts, almost all full-time, guaranteeing employees a stable work life that also offers the prospect of professional growth.

As regards the evaluation and improvement of the company's organisational climate, during the year a qualitative survey was carried out in partnership with the Faculty of Psychology of the University of Padua. The study found positive results distributed evenly across all Group facilities. During 2019 the "continuous improvement project" was also launched.

**4.1.1  
“Continuous  
improvement  
project”**

**The Continuous improvement project**

In order to cope with the increasing levels of competition in the steel product market, Acciaierie Venete has developed a competitive strategy based on the ability to promote the improvement of product quality levels with the need to increase the efficiency of production processes, inevitably combining them with the constant improvement of work safety levels.

The project has a number of objectives, correlated with each other by elements of systemic interaction that involve the entire company, understood as a set of human resources, plant structures and, finally, company procedures and standards.

In order to stimulate the proposal of ideas for improvement by human resources operating within the company's organisational units, a process was defined for the formulation, evaluation and implementation of the improvement ideas received by staff. The project envisages a differentiated monetary bonus depending on the effects of the idea.

The system is based on two concepts:

- The belief that the people directly involved in operations are able to identify the best ways to improve their organisation, method or process in a more targeted and effective way than those who are not directly involved in them.
- The consideration that the system of continuous improvement is more effective when implemented through multiple limited initiatives that are consolidated and assimilated in the organisational behaviour of each individual employee, rather than through a few large projects with an inevitably slower and less widespread adoption.

The project calls for the collaboration of an internal technical committee consisting of the plant manager, the plant's quality manager, the department heads involved from time to time and the RSPP (Health and Safety Officer). This committee has the task of verifying the technical feasibility and business sustainability of the improvement ideas, and based on these elements they make decisions about their implementation, ranking the proposals for the disbursement of the bonus earned.

The initiative seeks to engage human resources and make the most of their expertise and experience, as well as to improve the levels of safety, quality and efficiency of the entire company system.

## 4.2 We innovate by investing in human capital

We believe that a company that invests in the training of its employees is a company that is making long-term plans for its organisation.

In 2019 the training provided by the company to its employees decreased compared to the previous year, but still remained within the average for the three-year period, involving all professional categories, from executives to middle managers, from white-collar employees to blue-collar employees. The training mainly involved technical or operational tasks on health and safety issues (this explains why the average number of hours of training provided to men is higher than what was offered to women).

	Average training hours per employee (by professional category and gender)								
	2017			2018			2019		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Executives and managers	10.4	–	10.2	9.8	–	9.6	7.7	8.0	7.7
White-collar employees	8.7	4.1	7.8	16.4	6.7	14.5	16.6	11.6	15.6
Blue-collar employees	4.0	3.0	4.0	15.2	7.0	15.2	10.3	–	10.2
<b>Total average training hours</b>	5.1	4.1	5.1	15.2	6.6	14.8	11.4	11.4	11.4

During 2019 the Academy held monthly training-oriented meetings. This is an educational programme developed for all of the group's young university graduates. The project has a number of goals. In particular, we want to offer our high-potential resources the chance to learn the basic professional skills necessary to support their career development. The design of the programme also guarantees team building opportunities and therefore a chance to increase the team spirit of the company's future management.

The total duration of the curriculum is 5 years, for a total of 480 hours of training or 96 hours on average per year. To date three macro-areas have been addressed: metal characteristics, metallography, problem solving and marketing.

### Academy, a "neverending" path

Academy is an integrated professional growth programme, designed to offer a complete vision and cross-cutting technical skills that are relevant to the company's operational processes. It envisages a continuous flow of training opportunities correlated with work, aimed at encouraging critical analysis of the way work is done in order to improve the consolidation of the skills acquired. This project aims to foster the development of solid personal relationships and to stimulate teamwork, so as to make the flow of information among the various plants and company functions more fluid.

A great deal of focus goes to training activities relating to occupational safety. On the first day of work each new hire is informed by the Prevention and Protection Service Manager of the key principles of the company's safety system, the current safety procedures in the target area and the operating standards to be adopted in order to limit the risk of accidents. Each new hire is also provided with the safety procedures prepared and issued by management, also receiving the safety info sheets relating to their specific tasks. Should there be an introduction of new work equipment, changes in the production process or a change of job/work, all employees concerned receive training updates.

The objective of the above training system is to provide workers with the necessary knowledge and skills to ensure that their organisational behaviour is in line with the principles of the company's safety system. The criteria for organising training sessions are also aimed at improving awareness of workplace safety issues so that safety is perceived as a value and constituent element of the company culture and not just as a regulatory or procedural obligation.

As noted previously, more specific training on quality, safety and operational aspects is offered during courses scheduled during the months following entry in the company.

The training needs of all personnel are established annually by the plant managers or department heads, who identify the areas and topics of the training courses necessary for the development of the personnel operating within their organisations based on various elements, including: any process/product changes, any organisational and/or development projects, any technical, qualitative or maintenance problems that may have arisen during the period; the results of the annual performance review are also used to determine training needs; finally, there is the possibility that further training needs may be identified as part of the development of career plans or replacement plans or, finally, skill mapping systems.

In order to guarantee the improvement of product quality levels, there are also specialised courses dedicated to the personnel employed in special processes. For example, particular attention is paid to the training of staff involved in Non-Destructive Testing and Heat Treatments given their direct influence on product quality.

As far as company management systems are concerned, it should also be noted that in recent years several courses have been provided focusing on the study of management systems like ISO 50001 (Energy Management System), ISO 14001 (Environmental Management System) and IATF 16949 (Quality in the Automotive sector).

Finally, as far as soft skills are concerned, training was provided at the Padua plant on problem-solving, communication, negotiation, leadership and human resources management issues. Furthermore, to meet the needs of the Group's customers, courses were planned for the Sarezzo and Mura plants on the basic elements of the steelmaking process and welding techniques, among other things.



### 4.3 Performance assessment

The professional development of human resources is key for Acciaierie Venete and its employees. Thanks to medium to long-term training programmes and constant performance evaluations, employees have the opportunity to grow and diversify their skills during their professional lives. The performance evaluation system is useful for reaching this objective and is designed to outline both training needs and remuneration policy.

	Employees receiving performance evaluations <sup>5</sup>								
	2017			2018			2019		
	% Men	% Women	% Total	% Men	% Women	% Total	% Men	% Women	% Total
Middle managers	88%	100%	<b>88%</b>	59%	100%	<b>60%</b>	100%	100%	<b>100%</b>
White-collar workers	82%	77%	<b>81%</b>	78%	82%	<b>79%</b>	99.6%	100%	<b>99.7%</b>
<b>Total</b>	82%	78%	<b>81%</b>	75%	82%	<b>77%</b>	99%	100%	<b>99.7%</b>

Performance evaluations are conducted by each manager on an annual basis and take into account a set of indicators specific to each production area that cover both the soft and hard skills of managers and white-collar workers. For example, for the Health, Safety & Environment (HSE) function, the management skills assessed include regulatory knowledge of environmental protection, safety and quality, as well as energy saving standards. Other soft skills assessed concern the awareness of the tasks and responsibilities attributed to the role, the importance of achieving the expected results, the decision-making capacity, the degree of autonomy and cost/benefit optimisation, the management of human resources and interpersonal relations.

<sup>5</sup> The data for each year refer to the assessment of performance of the previous year.

#### 4.4 We protect the well-being of our employees

Acciaierie Venete has always placed great care in the prevention of risks that undermine workers' safety.

Acciaierie Venete's management policies require that constant attention be paid to the workplace with a view to continuously improving health and safety conditions. For this reason, in order to ensure compliance with all elements of the corporate safety system, Acciaierie Venete has adopted a procedure aimed at defining responsibilities, tasks and criteria for managing the system itself, in particular with regard to monitoring the correct implementation of current relevant regulations as well as company procedures and standards.

In more specific terms, responsibility for ensuring the correct and complete implementation of Acciaierie Venete's safety policies within the various production units has been assigned to the plant managers. Moreover, in order to make the prevention and protection of workers more structured and widespread, managers and supervisors are responsible for constantly monitoring all aspects considered critical to ensure safety, like for example the use of Personal Protective Equipment (PPE), compliance with safety procedures, attention to the protection of the working environment, ergonomic conditions, vehicles and systems.

Constant monitoring of these aspects is guaranteed, an approach that makes it possible to reduce risks and therefore to prevent accidents, as well as ensuring continuous improvement in levels of work safety and environmental protection.

Any conditions or behaviours that deviate from company procedures and practices are reported to the Plant Prevention and Protection Service Manager using a specific form, who in turn is responsible for defining the action to be taken, giving priority in any case to raising awareness and employee engagement.

The success of a good safety policy is also determined by the degree of involvement of its employees, and this is why, as already mentioned in the previous pages, at Acciaierie Venete all employees receive specific training and education on safety at work.

Acciaierie Venete's safety system is based on the following macro-elements:

### The pillars of Acciaierie Venete's safety system

<b>Education, information, training</b>	Done to convey theoretical knowledge and spread a safety culture among all employees
<b>Analysis of accidents and near misses</b>	Accidents and injuries are analysed to identify their causes. Analysis also delves into methods, procedures, technical and/or organisational actions to be taken to eliminate the risk that caused the event, preventing the event itself from recurring
<b>Zero-accidents project</b>	Examines the dynamics of any accidents and near misses to establish and disseminate a safety culture among all employees
<b>Internal audits</b>	Their purpose is to verify the correct implementation of company procedures in all establishments
<b>Personal protective equipment (PPE)</b>	In all cases where work-related risks cannot be avoided or sufficiently reduced by primary prevention measures, the necessary PPE will be made available to workers as secondary protection
<b>Safety committee</b>	The Safety Committee meets at least once a year and whenever requested by the management or the Safety Manager

### Work-related injuries data

Data relating to all employees				
	Unit of measurement	2017	2018	2019
<b>Total hours worked</b>	Hours	1,914,086	2,249,425	2,176,256
<b>Total accidents</b>	no.	64	98	60
• of which while travelling to/from work	no.	4	1	5
• of which serious accidents (injuries causing more than 6 months of absence)	no.	2	3	1 <sup>6</sup>
<b>Total medical treatments</b>	no.	-	-	14
<b>Total near misses</b>	no.	134	115	131
<b>Total fatal accidents</b>	no.	-	2	-
<b>Total recorded accidents<sup>7</sup></b>	no.	64	100	60
<b>Mortality rate<sup>8</sup></b>		-	1	-
<b>Serious injury rate</b>		1.0	1.33	0.46
<b>Injury rate</b>		33.4	44.5	27.6

<sup>6</sup> Days of absence were counted considering both years.

<sup>7</sup> This category includes the following incidents: death; days of absence from work; inability to take part in regular work as a result of an accident; medical treatment, loss of consciousness, excluding first aid; injuries diagnosed by a physician.

<sup>8</sup> The mortality, serious injury and injury rates were calculated by applying the multiplication factor of 1,000,000.

#### 4.5 Teaming up with the local community

Acciaierie Venete is an active member of some local and national trade associations. At a local level, Acciaierie Venete is a member of all the regional Confindustria associations in Padua, Brescia, Verona, Udine, Trento and Modena. At a national level, the Company plays a representative role in the sector, as President of Federacciai (Federation of Italian Steel Companies). Acciaierie Venete's membership in the Confindustria system has led the Company to adopt the values and commitments contained in Confindustria's Charter of Environmental Sustainability Principles as an integral part of its activities and production growth process.



**Confindustria's Charter of Environmental Sustainability Principles**  
**10 "PRINCIPLES" FOR 10 "COMMITMENTS".**

1. **"Achievement of environmental sustainability objectives"** - Make protection of the environment an integral part of its business and production growth process.
2. **"Adoption of a preventive approach"** - Assess the impact of the business in order to manage its environmental aspects in accordance with a preventive approach and to promote the use of the best available technologies.
3. **"Efficient use of natural resources"** - Promote the efficient use of natural resources, with particular attention to the rational management of water and energy.
4. **"Control and Reduction of Environmental Impacts"** - Control and, where possible, reduce emissions into the air, water and soil. Minimise waste production by favouring recovery and reuse. Take appropriate measures to limit the effects of the business on climate change. Promote the protection of biodiversity and ecosystems.
5. **"Centrality of innovative technologies"** - Invest in research, development and innovation in order to develop processes, products and services with a reduced environmental impact.
6. **"Responsible product management"** - Promote responsible product or service management throughout the entire life cycle, in order to improve product performance and reduce its impact on the environment, including by informing customers how to use and manage the "end-of-life" stage.
7. **"Responsible supply chain management"** - Promote environmental protection in supply chain management by involving suppliers, customers and others in the sustainability policy.
8. **"Raising awareness and training"** - Promote information, awareness and training initiatives in order to involve the organisation in the implementation of its environmental policy.
9. **"Transparency in stakeholder relations"** - Promote transparent stakeholder relations in order to pursue shared environmental policies.
10. **"Consistency in international business"** - Operate in accordance with the principles enshrined in this Charter in all countries the business is involved in.

Acciaierie Venete also works with the local region to experiment on new technologies.

In particular, Acciaierie Venete's membership in the RFX Consortium testifies to the company's desire to create synergies between the industrial and scientific worlds in order to cooperate in the search for innovative solutions for nuclear fusion.

The research on fusion being performed by what is today the RFX Consortium was launched in 1958 by a small group at the University of Padua, which in the 1970s became a CNR Research Centre operating within the European Programme. After various evolutions, in 1996 this small reality turned into a consortium including the Consiglio Nazionale delle Ricerche (CNR), the Ente per le Nuove Tecnologie, l'Energia e l'Ambiente (Enea), the University of Padua, the Istituto Nazionale di Fisica Nucleare (INFN) and Acciaierie Venete.

In addition to Acciaierie Venete's commitment to promoting and supporting scientific research, in 2013 the Company acquired a stake in the share capital of Fabbrica Attività & Relazioni Intergenerazionali established by the Fondazione Opera Immacolata Concezione (OIC), created to promote intergenerational relations (the elderly and children). Support for the completion of the "Mons. F. Franceschi Casa della sussidiarietà" building in Padua is just an example of the initiatives. Other structures that refer to OIC have founded the "Clara and Guido Ferro" Intergenerational Children's Centre and the Airone Residences complex, built with the needs of elderly people in mind. Between 2017 and 2018 Acciaierie Venete financed the construction of a teen zone in the paediatric onco-haematology department of the Padua hospital, in partnership with the "Team for Children" association. These new spaces allow school-aged children who have been hospitalised for long periods to continue their schooling and at the same time enjoy a recreational area where they can read books, listen to music, watch TV and use the computer.


In addition, 2019, was the year that collaboration with the Salus Pueri Foundation of Padua began as part of activities aimed at financing contracts for young researchers and physicians to be hired by the Department of Paediatrics, with the aim of attracting the best talent produced by the university.

Other initiatives of a lesser economic scope were carried out within the municipalities where the Group's plants are located, helping to support local projects to improve the urban environment and voluntary activities.

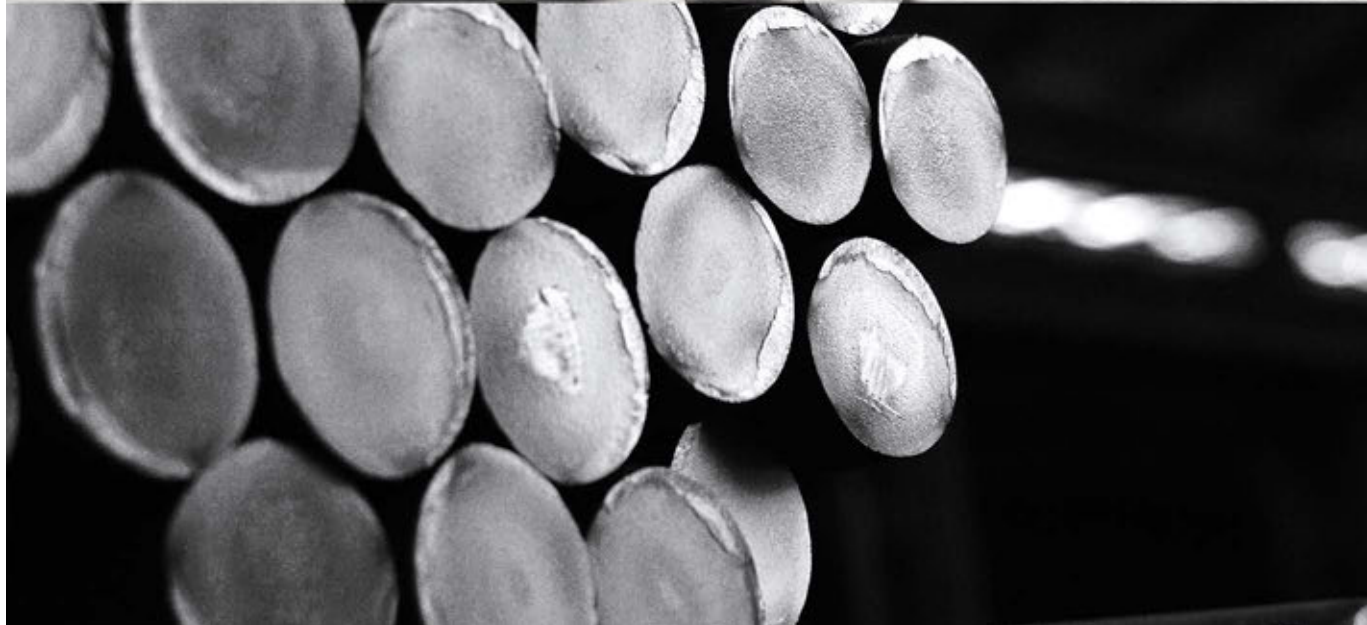
In closing, between 2019 and 2020 Acciaierie Venete participated in the first edition of A Steem for Steel, a very innovative training project promoted by the Marcegaglia Foundation and also joined by ABS - Danieli Automation and Sideralba.

The project involved 1,200 students from eight high schools with workshops and Innovation Camp at the companies, and then turned into an online initiative where the youth challenged each other creating video projects on the many characteristics of steel. In the final stage of the competition, students were asked to create a rap song on steel, to imagine and design a house that features this material and to show how it is possible to spend a day without steel.

The goal of "A Steem for Steel" was to underscore the positive aspects of the sector to younger generations, highlighting its still little-known sustainable and innovative sides through meetings and exchanges with leading companies that have been able to combine technological innovation in their production processes, investing in digital transformation.



“One of the objectives of A Steem for Steel was to promote an extremely innovative ‘cultural revolution’ in the sector starting with younger generations, and initiating a process that can take root and expand further”, says Alessandro Banzato, Chairman and Managing Director of Acciaierie Venete. “The quality and communicative effectiveness of the tests passed by students demonstrate not only their creativity, but also that steel can be fun to talk about. Further improvement of the steel industry’s communicational skills are required if it is to play a role in the Italian educational system. Teaching, which is fundamental in the training process, must be accompanied by emotions that generate attention and curiosity, and we must be good at presenting ourselves in an original manner”.





## 5. MANAGEMENT OF ENVIRONMENTAL IMPACTS

## 5.1 Environmental sustainability as a conscious choice

Steel is a key alloy for most industrial sectors, from transport to infrastructure and housing, from manufacturing to agriculture and energy. This central role makes it a key element in the transition to new sustainable and environmentally friendly urban and infrastructure models. In this sense, therefore, steel producers play a decisive role both in responding to sustainable production demands and in monitoring and managing the positive and negative externalities of their supply chain. Well aware of this fact, over the last 50 years the industry has implemented energy efficiency processes and employed new technologies, reducing its energy consumption per tonne of steel produced by 61% (source: Federacciai).

In the case of Acciaierie Venete, the company managed to keep 2019 standards in line with those of the last three years through constant monitoring and control of the energy performance of its production plants. The aim has always been to reduce energy intensity per unit of product, trying to increase overall energy efficiency.

The need to make the steel sector more sustainable, particularly from an environmental point of view, derives from international and European legislation and growing demands and pressure from the various stakeholders (investors and the financial community, suppliers, governments, the public and local communities, etc.), which are increasingly interested in understanding how companies in this sector are preparing to respond to the challenges posed by climate change. This is a very important industrial orientation for the whole sector, now focused on sustainability, starting with the redefinition of the entire product life cycle, from the extraction of the raw material to its recycling.

This is the path that Acciaierie Venete intends to pursue and reinforce over time, in the belief that steel is the foundation for a more sustainable economic system for current and future generations.

### 5.1.1 Certifications

The importance of and respect for the environment have led the company to adopt a management system certified according to the updated **UNI EN ISO 14001:2015** standard. At present, this system has been applied to all the activities carried out at Acciaierie Venete S.p.A.'s production plants and is being integrated with a health and safety management system in compliance with UNI ISO 45001:2015. The Odolo and Borgo Valsugana plants, which became part of Acciaierie Venete S.p.A. in 2018, are also equipped with UNI EN ISO 14001 and UNI EN ISO 50001 Management Systems, officially certified in December 2019. In line with the requirements of the European and national Directives on integrated pollution prevention and control, in its plants Acciaierie Venete adopts the best available environmental plant, management and control techniques (BAT, "Best Available Techniques") that are economically and technically feasible. The adoption of these technologies provides an integrated support to the Group's tangible commitment to minimise the environmental impacts of its production processes, with particular reference to emissions of pollutants into the atmosphere, effluents, waste management and the reduction of energy consumption.

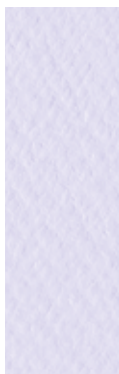
Sites with an ISO 14001:2018 management system



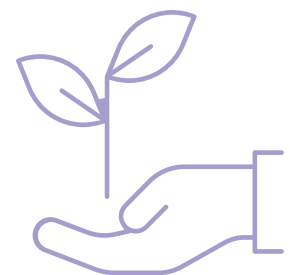
Acciaierie Venete operates in full compliance with current environmental regulations, and in 2019 the company continued to maintain the best practices applicable in all its plants.

Regulators found slight non-conformities that were remedied administratively with fines totalling € 40,930.27.

The HSE (Health, Safety & Environment) Department is the function that promotes the actions contained in the Health, Safety, Environment and Energy Policy, ensuring compliance with the company's strategic guidelines. Specifically, an Environment and Energy Management System Manager (RSGAE) has been designated, who reports on the performance of the Management System and the achievement of objectives and expected results, coordinating the top management and the operational structure.



Ensuring that the **ENVIRONMENTAL POLICY** is compatible with the strategic guidelines means integrating the Environmental Management System into the company's business, including all those activities (production, procurement, distribution, etc.) that are fundamental to achieving the company's objectives, regardless of where they are physically executed and the entities (personnel, suppliers, outsourcers, etc.) that implement them.



Therefore, as regards the entire Group, the definition of environmental commitments and objectives is not limited to the "physical" boundaries of the company, but is rather an integral part of all activities according to a **LIFE CYCLE PERSPECTIVE**.



During 2019 the company earned ISO 14001 certification (transitioning to the standard updated to 2015) for the Borgo Valsugana (TN) and Odolo (BS) plants, while maintaining the best standards at all other production sites.

This certification is valid for the design and manufacture of long products in alloy and non-alloy steel through charge preparation, ferrous scrap melting and refining, ladle treatment, continuous casting, conditioning, hot rolling and marginal cold works<sup>9</sup>.

The audits carried out at the **Buia, Dolcè, Mura, Riviera Francia, Sarezzo** and **Pellico** plants confirmed their compliance with the criteria of ISO 14001 and ISO 50001, while in the last year the **Borgo Valsugana** and **Odolo** plants were also certified, confirming the quality standards that distinguish the company:

- Absence of anomalies concerning legislative or related aspects
- Compliant with environmental and energy regulations
- Indicators consistent with the reality of the Site
- Constant monitoring of activities at higher risk

A continuous improvement programme is drawn up for each plant, including the objectives to be achieved (with related intermediate goals), the implementation methods, the person in charge, the people involved and the related costs. For each individual production site, the company has identified the following macro-objectives:

- Environmental objectives
- Energy efficiency
- Effluents
- Soil contamination
- Management of emissions
- Fire prevention

<sup>9</sup> For a complete and updated view of system certifications, please see the "certifications" section of the Group's website <http://www.acciaierievenete.com/it/certificazioni>

## 5.2 Assessment of environmental impacts

In order to understand the impact of its industrial activities, the Group defined the criteria for identifying and analysing significant environmental impacts under normal, extraordinary and emergency working conditions.

The identification of the aspects and the assessment of the significance of the environmental impacts is carried out specifically for each production site. The impacts considered are classified on the basis of criteria of significance, which make it possible to assess the extent of interference between each individual environmental aspect and the context in which it occurs, their likelihood of occurrence, the effectiveness of existing controls and the severity of the consequences. This assessment process reveals three types of impacts: **insignificant**, **limited** and **significant**.

As the significance of the impacts increases, the following aspects are defined:

- **Priorities of upgrades** and improvement of environmental performance.
- **Frequency of checks** to monitor the evolution of the impact over time.

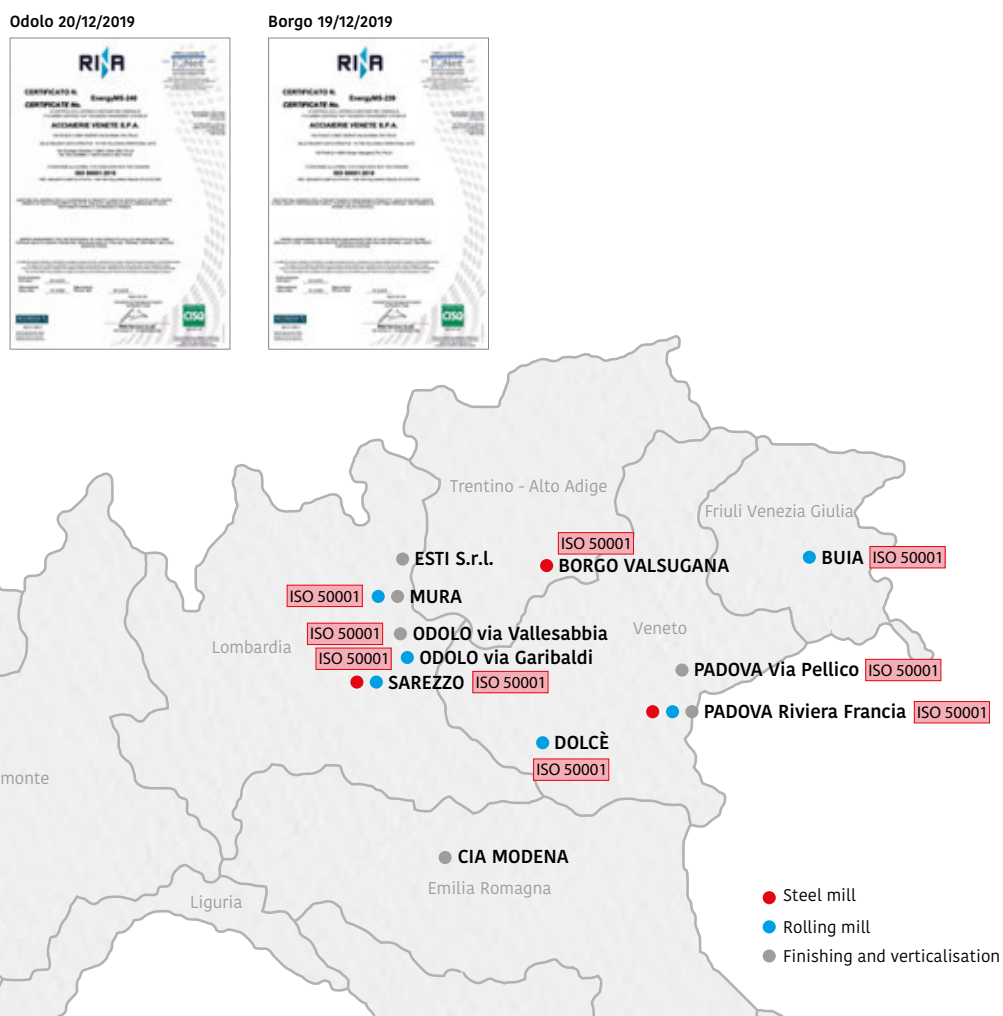
In order to ensure constant monitoring of the environmental impacts while at the same time ensuring a systemic and periodic review of the Environmental Management System. During the three-year period in question (2017-2018-2019), internal audits were conducted at all production sites thanks to which it was possible to identify, analyse and resolve the anomalies found.



### 5.3 Efficient energy management

The sustainability of the energy system and the new challenges of decarbonisation form a primary objective for European policies in the coming decades. To ensure greater efficiency in the use of energy resources, Acciaierie Venete has set up tools to identify and manage energy consumption, the risks associated with the Group's energy supply, the methods for improving energy performance and related costs. The establishments represented below are ISO 50001:2018 certified. Certification of the Odolo and Borgo Valsugana plants was also issued in 2019.

#### Sites with an ISO 50001:2018 management system



During 2019, a series of audits were initiated aimed at the upgrading of plants to comply with the new ISO 50001:2018 standard. (Currently only the Mura (BS) plant is ISO 50001:2011 certified as it expires in 2020.) This standard concerns the processing of long products in alloy and non-alloy steel through billet loading, heating, scaling, hot rolling, heat treatment and cold machining<sup>10</sup>.

<sup>10</sup> For a complete and updated view of system certifications, please see the "certifications" section of the Group's website <http://www.acciaierievenete.com/it/certificazioni>

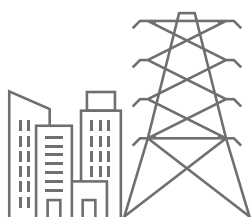
### 5.3.1 The energy we consume

The consumption of energy represents a very relevant environmental indicator to be monitored, especially for energy-intensive sectors like the steel industry.

Electricity is the main energy source of the steelworks, used to ensure the proper operation of the plants and electric furnaces, as well as for lighting and air conditioning in the summer. In 2019, a new high-tech rolling mill came online, enabling even greater energy efficiency. After electricity, comes natural gas, used for the operation of production plants and services, water heating and winter air conditioning. The consumption of diesel fuel is residual, mainly to fuel production vehicles and machinery. Finally, part of the energy consumed at the Dolcè and Pellico plants is produced by a generator with a methane endothermic engine, self-production that has decreased slightly.

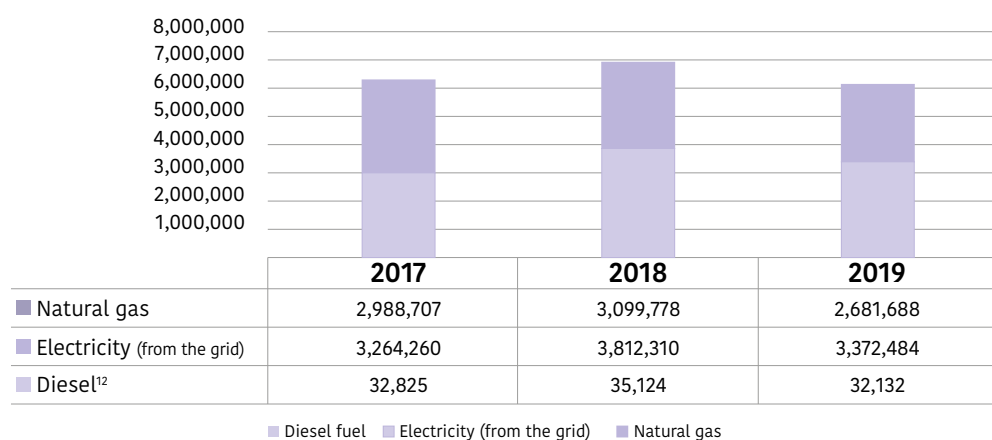
The energy consumption of Acciaierie Venete is shown in the chart below, in Gigajoules (GJ).

Note that for the time frame under analysis energy consumption was directly proportional to production volumes.



**With about 1 million MWh of electricity consumed per year, Acciaierie Venete consumes as much as 11 million people in northern Italy<sup>11</sup>.**

#### Total organisation energy consumption by energy source (GJ)

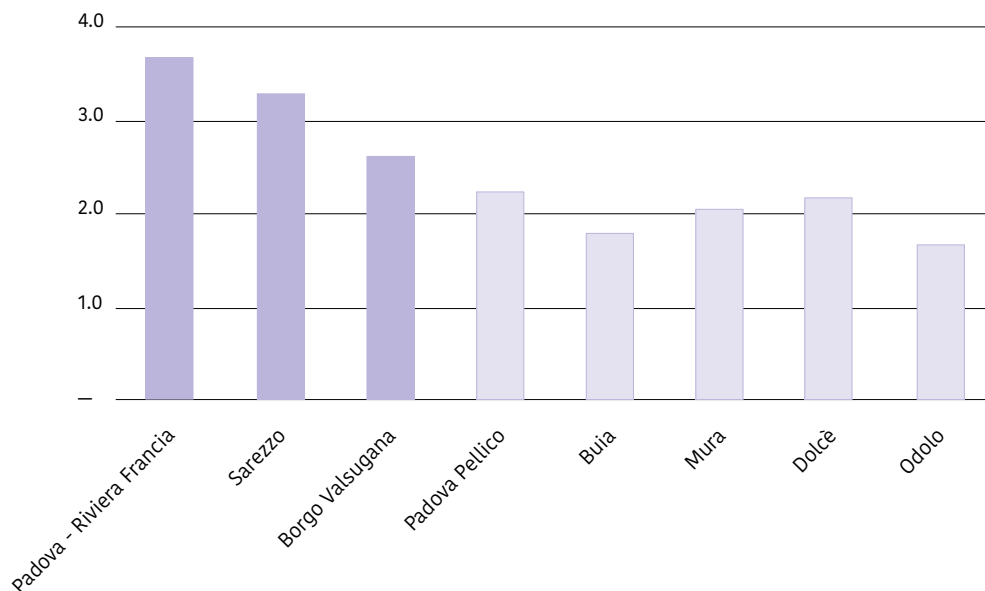


<sup>11</sup> Source: Utility Alliance, c.s. 19 June 2020.

<sup>12</sup> The data do not include the consumption of company cars.

Energy consumption per tonne produced at the Borgo Valsugana plant is lower than at the Riviera Francia and Sarezzo steelworks because there is only one furnace with one casting, while the other two sites have a more complete line, including the steelworks and rolling mill area.

**Energy intensity (GJ/tonne produced)**



Acciaierie Venete has been part of the white certificates mechanism since 2015, the main instrument for the promotion of energy efficiency in Italy set up by the Ministry of Productive Activities, in agreement with the Ministry of the Environment and Territory Protection, and which came into force in 2005.

White certificates – or more properly Energy Efficiency Certificates (TEE) – are negotiable certificates that certify the achievement of energy savings by different actors through specific actions (e.g. energy efficiency). Specifically, Acciaierie Venete has qualified for the mechanism thanks to the energy savings in terms of m3 of natural gas obtained from the installation of the new heating furnace and, from 2020, the savings linked to the new rolling mill will also be counted. During the two-year period between 2017 and 2018, the new heating furnace saved about 5,392,000 m<sup>3</sup> of natural gas, which were covered by almost 15,000 TEEs. This savings made it possible to avoid the emission of more than 10,000 tons of CO<sub>2</sub> eq.



## 5.4 Materials associated with production processes

Scrap and coke are the main raw materials used in steel production. During the three-year period the tonnes of material purchased varied. Between 2017 and 2018 there was an increase due to the incorporation of the new steel mill in Borgo Valsugana, while in 2019 there was a decrease caused by a slowdown in the market.

Raw materials	u.m.	2017	2018	2019
Scrap	tonnes	1,475,161	1,692,819	1,503,008
Coke	tonnes	18,306	20,062	18,040
<b>Total</b>	tonnes	<b>1,493,468</b>	<b>1,706,775</b>	<b>1,484,813</b>

The consumption of components that become part of the final product (e.g. ferroalloys and oxygen) has varied over the three years analysed, but remains proportional to production levels.

Other materials (t)	u.m.	2017	2018	2019
Ferroalloys	tonnes	39,990	42,844	37,180
Lime	tonnes	65,501	74,492	67,029
Oxygen	1,000m <sup>3</sup>	56,628	63,352	56,240



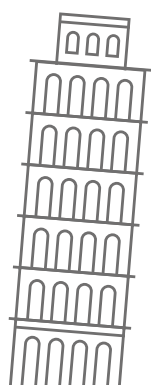
## 5.5 Waste and its disposal

The minimisation of waste – especially waste sent for disposal – clearly shows the correct and effective management of incoming resources.

Although Acciaierie Venete's production process is virtuous in the way it reuses incoming secondary raw materials, the activities carried out at the plants generate waste as an output, i.e. heavy waste from scrap sorting operations, black and white slag, flue gas abatement dust and rolling flakes. On the other hand, many methods of exploiting residues from steel production processes are now well-established practices among operators in the sector. To foster the circularity of production processes, slag refined in ladles can be reused in the electric furnace to partially replace lime, exhausted refractory slag can be recovered to create new bricks and rolling flakes can be used in cement production. These practices, implemented by Acciaierie Venete in compliance with current environmental legislation, have the advantage of minimising the consumption of raw materials and allowing the recovery of materials that would otherwise become waste.

During 2019 the total volume of waste decreased by about 19.3%. This decrease is attributable to a decrease in production in the last part of the year.

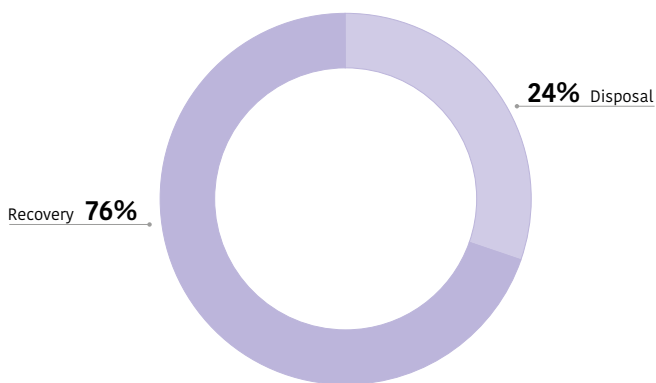
Methods of disposal	Waste generated by type and method of disposal (t)								
	2017			2018			2019		
	Hazardous	Non-hazardous	Total	Hazardous	Non-hazardous	Total	Hazardous	Non-hazardous	Total
Recovery	22,975	299,751	<b>322,727</b>	21,214	320,059	<b>341,273</b>	31,669	267,569	<b>299,238</b>
Disposal (e.g. landfill, waste-to-energy, etc.)	2,805	84,903	<b>87,707</b>	8,449	115,101	<b>123,551</b>	9,971	65,885	<b>75,856</b>
<b>Total</b>	<b>25,780</b>	<b>384,654</b>	<b>410,434</b>	<b>29,663</b>	<b>435,161</b>	<b>464,824</b>	<b>41,640</b>	<b>333,454</b>	<b>375,094</b>



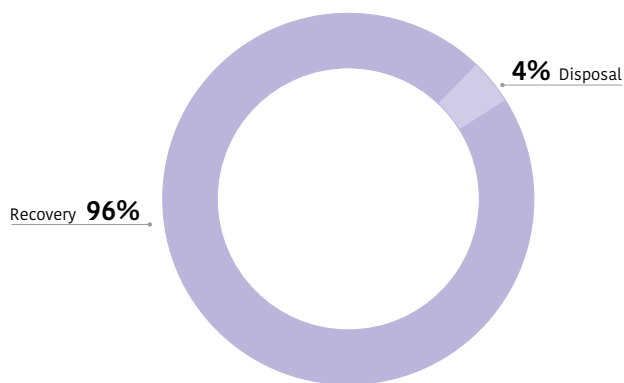
Thanks to a partnership with the company Zerocento, the slag produced at the Padua steelworks is processed and reused as a road substrate as an alternative to the quarry mix that is obtained from the erosion of hills or mountains. Each year 225,000 tonnes of slag are treated and reused, the equivalent of 15 times the weight of the Tower of Pisa.

Waste from steelworks that is sent for recovery accounts for 72% of the total, while 96% of the waste from rolling mills is recovered.

Percentage of waste sent for recovery in 2019



Destination of waste produced in steel mills



Destination of waste produced in rolling mills

## 5.6 How we use water resources

The focus on sustainable use of water is a primary objective for companies operating in the steel sector. Water is a significant factor in the steel production process, in particular for the cooling of the plants. According to Federacciai<sup>13</sup>, the increasing use of more efficient cooling systems (with systems that push water recirculation up to 98%) has led to a constant improvement in performance with a reduction of 1.4 m<sup>3</sup> of water sourced per tonne of steel produced.

### Breakdown of water consumption by source

With the exception of the Sarezzo and Mura plants, where a portion of the water sourced also comes from surface watercourses and consortium waterworks, all water supplies come from aquifers.

#### Water use

Source	Unit of measurement	2017	2018	2019
Surface water	1,000l	20,861	74,066	68,266
Aquifers	1,000l	1,763,461	1,544,368	1,591,460
Consortium waterworks	1,000l	317,920	290,493	310,787
<b>Total water sourced</b>	<b>1,000l</b>	<b>2,102,242</b>	<b>1,908,927</b>	<b>1,970,513</b>

#### Effluents

Destination	Unit of measurement	2017	2018	2019
Surface water	1,000l	1,400,247	1,176,589	1,246,423
Sewerage	1,000l	48,614	41,105	49,329
Authorised discharge and ground	1,000l	27,676	22,537	22,537
<b>Total water discharged<sup>14</sup></b>	<b>1,000l</b>	<b>1,476,537</b>	<b>1,240,231</b>	<b>1,318,289</b>

Approximately 80% of the water sourced by Acciaierie Venete comes from groundwater (the remaining part is supplied by consortium waterworks and drainage from surface water bodies). For effluents, however, after appropriate treatment and control most of the wastewater discharged from plants flows into surface water bodies in accordance with the provisions of existing permits.

<sup>13</sup> Source: Federacciai, 2019 Sustainability Report.

<sup>14</sup> For the plants where data on water discharges are not available, as a precautionary measure they have been assumed to be equal to the withdrawals

## 5.7 Emissions from our production processes

### 5.7.1 Greenhouse gas emissions

As is well known, steel production requires high energy consumption and therefore leads to the emission of certain quantities of greenhouse gases into the atmosphere. These emissions can be both direct, for combustion process emissions at different stages of the production cycle, and indirect, for electricity consumption. For production using an electric furnace, most emissions are indirect and derive from the production of electricity that Acciaierie Venete purchases in order to melt the steel scrap inside the furnaces of its plants. By contrast, the emission of greenhouse gases from steel production and transformation (e.g. rolling) are mainly due to the combustion of natural gas in heating furnaces or for heat treatments.

The monitoring of greenhouse gas emissions from Acciaierie Venete's production processes is an integral part of the monitoring of the Environment, Safety and Control Department. All production processes, with the exception of the Buia plant for reasons of thermal potential, are part of the Emission Trading System (ETS), an instrument adopted by the European Union in implementation of the Kyoto Protocol to reduce greenhouse gas emissions in energy-intensive sectors. These emissions included in the scope 1 emissions, i.e. emissions deriving from the direct combustion of fossil fuels and mainly controlled by the organisation, are added to the indirect emissions, i.e. emissions deriving from the production of electricity imported and consumed by Acciaierie Venete. Scope 2 emissions are generally calculated according to two approaches:

- Market-based, which considers the electricity supplied taking into account the green certificates purchased that attest to any supply by the company of electricity from renewable sources and therefore do not involve emissions.
- Location-based, which considers the emission factor associated with the national energy mix in the calculation of emissions.

The total emissions of Acciaierie Venete in 2019, considering the Location-based approach, are about 507 kton CO<sub>2</sub> eq, broken down as presented in the following graph.



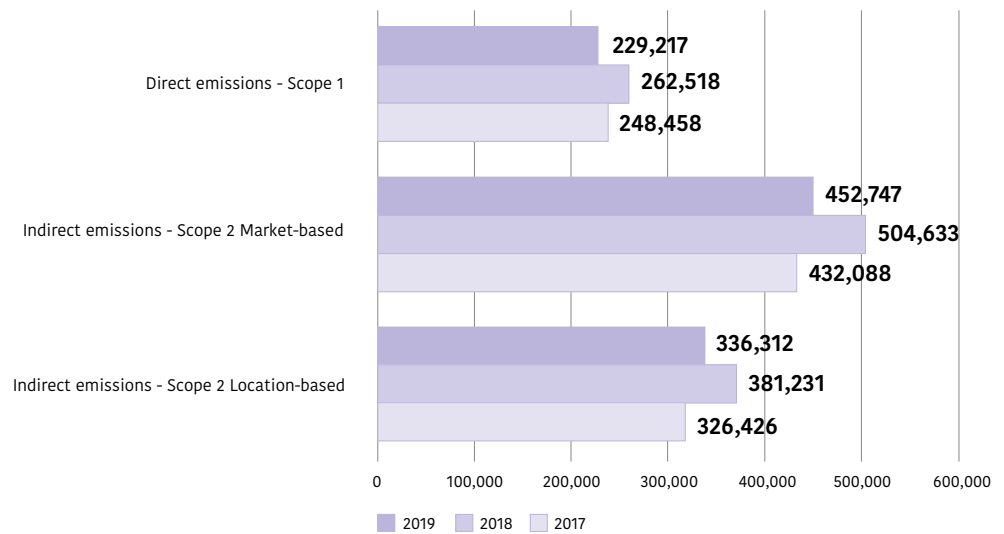
RIVIERA  
FRANCIA

**The new rolling mill built in Riviera Francia replaced the old one in Via Pellico that was supplied with semi-finished products from the Riviera Francia steelworks. The new plant has therefore resulted in a significant drop in vehicle traffic thanks to the cessation of transfers of semi-finished products between the two sites.**

**A reduction in vehicular traffic of 41.5 trips per day can be estimated, or almost 10,000 trips per year for a distance of about 8 km (and therefore 80,000 km, exactly twice the Earth's circumference).**

**This means an absolute reduction in emissions typical of heavy transport, and therefore of CO<sub>2</sub>, Nox, CO and particulate (PTS).**

**Direct and indirect greenhouse gas emissions in CO<sub>2</sub>eq tonnes**



While steel production increased in 2018, in 2019 there was a decrease compared to the previous year. Overall, however, if these increases and/or decreases are compared to total production there is a substantial constancy in CO<sub>2</sub>eq emissions per unit of product (0.27 tonnes CO<sub>2</sub>eq/tonnes produced). Steelworks contribute more to greenhouse gas emissions than rolling mills: in fact, for every tonne of steel produced about 0.34 tonnes CO<sub>2</sub>eq are emitted, about three times more than what is emitted by rolling mills (about 0.12 tonnes CO<sub>2</sub>eq).

## 5.7.2 Pollutant emissions

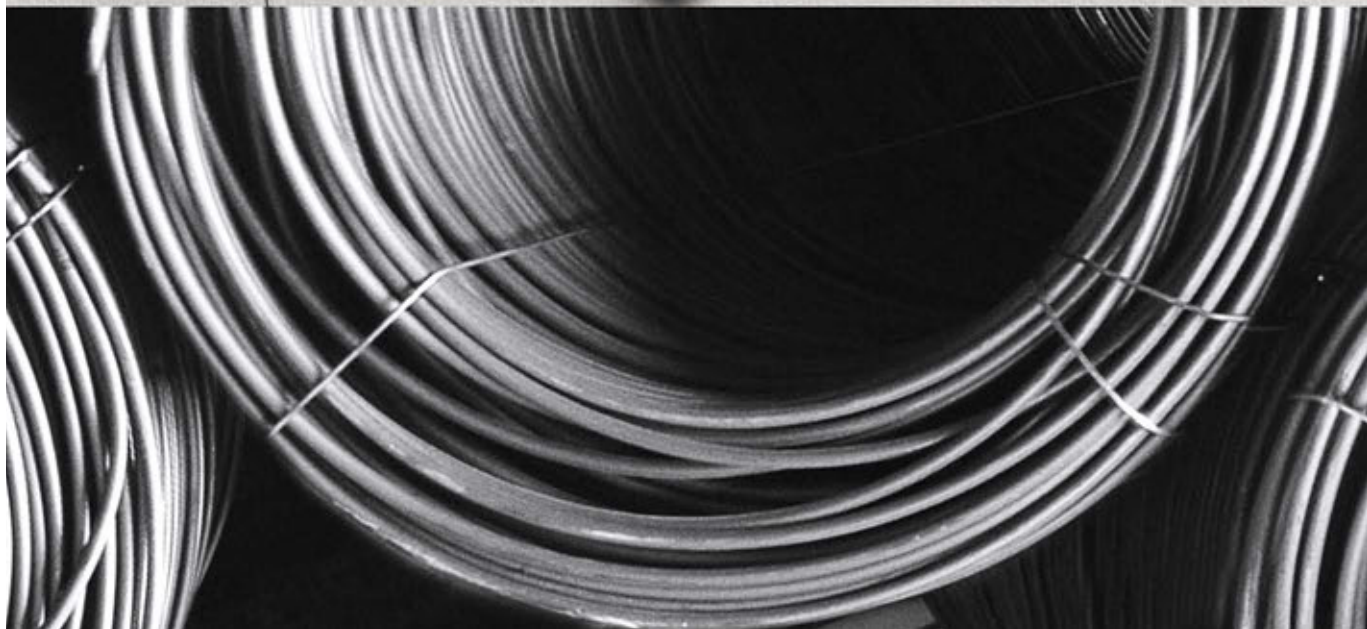
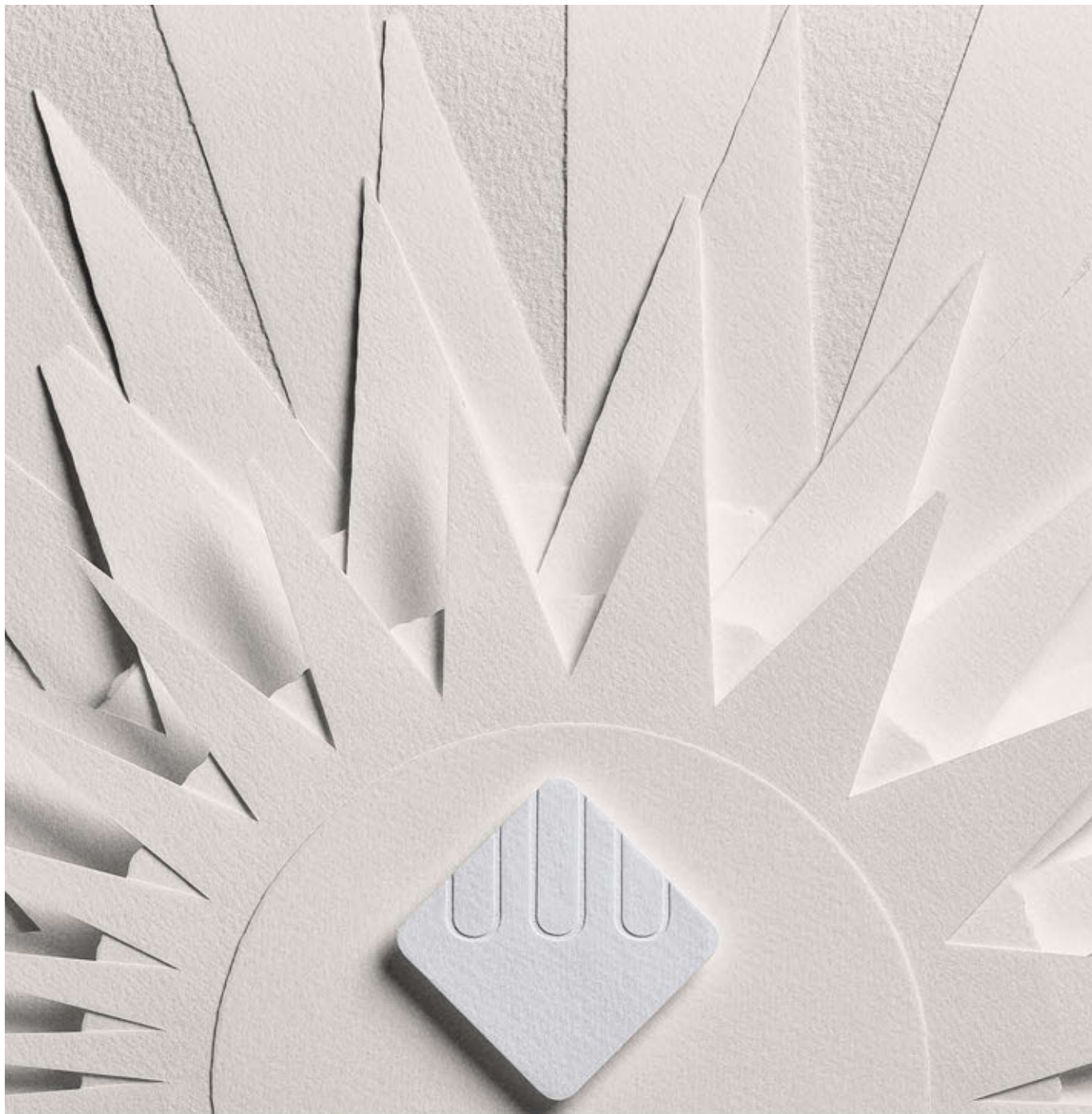
Acciaierie Venete has adopted all the necessary measures for the management and monitoring of pollutant emissions from its plants so as to ensure that the concentration values of pollutants are below the limits set by law. Specifically, Acciaierie Venete is one of the parties required to file e-PRTR reports (European Pollutant Release and Transfer Register), an integrated pollutant release and transfer register that includes information both on significant releases of pollutants to air, water and soil and on the transfer of waste and has therefore put in place all the necessary measures to comply with the legislation and to ensure compliance with the limits set.

For the plant in Riviera Francia (Padua) Acciaierie Venete S.p.A. has an Integrated Environmental Authorisation issued by the Province of Padua, which requests that the Group commit to annually submitting a non-technical summary containing trends and relative comments on the concentration of dust emissions. The 2019 report shows no anomalies in consumption or emissions.

Based on site-specific data, and for some plants direct measurements through ARPA Lombardia's Emissions Monitoring System (EMS), the quantities of pollutant presented below were measured.

Polluting emissions into the atmosphere	Unit of measurement	2017	2018	2019
<b>NOx</b>	<b>kg</b>	417,983	459,710	450,297
<b>SOx</b>	<b>kg</b>	64,200	170,390	230,778
<b>Particulate</b>	<b>kg</b>	4,634	9,003	11,148
<b>CO</b>	<b>kg</b>	514,434	430,143	446,571

The significant variations between one year and the next are due to the fact that these data are punctually measured and are therefore subject to the specificity of the moment in which they are measured.





## 6. METHODOLOGICAL NOTE

## 6.1 The principles for defining the content and quality of the Report

The Sustainability Report of the Acciaierie Venete Group aims to report on issues relevant to the Group and its main stakeholders. It is prepared in accordance with the "GRI Sustainability Reporting Standards", the most recent and widely used non-financial reporting standards defined in 2016 by the Global Reporting Initiative (GRI), according to the "In accordance - Core" option, which requires the reporting of at least one GRI indicator for each relevant issue.

This document has been prepared in accordance with the principles for defining the contents of the report suggested by the GRI:

- **Completeness:** the material topics addressed in the report are covered in their entirety and represent the most relevant environmental, social and economic aspects for Acciaierie Venete's business, thus allowing a complete assessment of the Company's performance in the reporting year.
- **Sustainability context:** The performance of Acciaierie Venete presented in this document is part of the broader sustainability context of the Company's business.
- **Stakeholder inclusiveness:** this Sustainability Report lists the Company's stakeholders and how their interests have been taken into account in defining the report's contents.
- **Materiality:** the topics reported have been identified on the basis of their relevance for the company's business as well as for its stakeholders (please refer to the chapter "Stakeholders and material topics" for more information).

To ensure the quality of the information included, report quality principles have been followed in the preparation of the report as suggested by the GRI.

- **Accuracy:** the level of detail of the contents reported in this Sustainability Report is adequate for understanding and assessing Acciaierie Venete's sustainability performance during the reporting period.
- **Reliability:** the data presented in the document have been collected, processed and validated by the managers of each function.
- **Clarity:** the choice of clear and accessible language and the use of graphs and tables to represent the Company's performance make this Report usable and easy to understand for stakeholders.
- **Comparability:** the indicators presented in the Report are reported for the two-year period 2017/2018 and accompanied by a comment on trends so as to allow comparison and comparability of Acciaierie Venete's performance over time.
- **Balance:** the contents of this document give a balanced account of Acciaierie Venete's performance during the reporting period.
- **Timeliness:** this document takes into consideration events occurring after 31 December 2019 that may be significant for the assessment of Acciaierie Venete's sustainability performance by stakeholders.

## 6.2 The reporting scope

This document is the first certified edition of Acciaierie Venete's Sustainability Report and contains a description of the initiatives and activities for 2019, as well as the performance trends for the three-year period 2017-2019. The collection of performance indicators and the frequency of reporting are annual.

The reporting year to which the information and data included in this section refers is 2019.

The description and scope of the impact of each issue in the value creation chain of Acciaierie Venete S.p.A.'s facilities is given for each issue, specifying whether it is internal or external.

Topic	GRI Disclosure	Scope	
		Internal	External
<b>GOVERNANCE AND COMPLIANCE</b>			
Economic performance	GRI 201: Economic performance	Group <sup>15</sup>	-
Fight against active and passive corruption	GRI 205: Anti-corruption	Group	-
Purchasing policies	GRI 204: Purchasing practices	Group	-
Environmental compliance	GRI 307: Environmental compliance	Group	-
<b>ENVIRONMENTAL</b>			
Materials	GRI 301: Materials	Group	-
Energy consumption and climate change	GRI 302: Energy GRI 305: Emissions	Group	Carries
Pollutant emissions	GRI 305: Emissions	Group	-
Water consumption	GRI 303: Water and effluents	Group	-
Effluents and waste produced	GRI 303: Water and effluents GRI 306: Effluents and waste	Group	-
<b>SOCIAL</b>			
Employment policies	GRI 401: Employment GRI 402: Labour/Management Relations	Group	-
Worker health and safety	GRI 403: Occupational health and safety	Group	Suppliers
Training	GRI 404: Training and education	Group	-
Local communities	-	Group	-
<b>PRODUCT</b>			
Customer well-being and health	GRI 416: Customer health and safety	Group	-
Innovation	-	Group	-

Note: reporting is not extended to the external perimeter.

<sup>15</sup> By group is meant Acciaierie Venete S.p.A.'s plants and not its subsidiaries.

## 6.3 Calculation methods

Below are methods used for some of the main indicators reported in this Sustainability Report.

### Employees

The calculation of Acciaierie Venete's personnel takes into account the number of employees as at 31 December of the year of reference of Acciaierie Venete S.p.A.

### Turnover rate

The turnover rate (incoming, outgoing and total) is calculated as the number of hiring/leaves during the year compared to the number of people in the company on 31 December of the previous year.

### Accident indices

The accident indices have been calculated as follows:

- Fatality index: number of fatal accidents / hours worked \* 1,000,000
- Index of high-consequence work-related injuries: number of accidents with period of absence from work longer than 6 months (excluding accidents that caused fatalities) / hours worked \* 1,000,000
- Recordable accident index: number of accidents during the year / hours worked \* 1,000,000

### Energy consumption

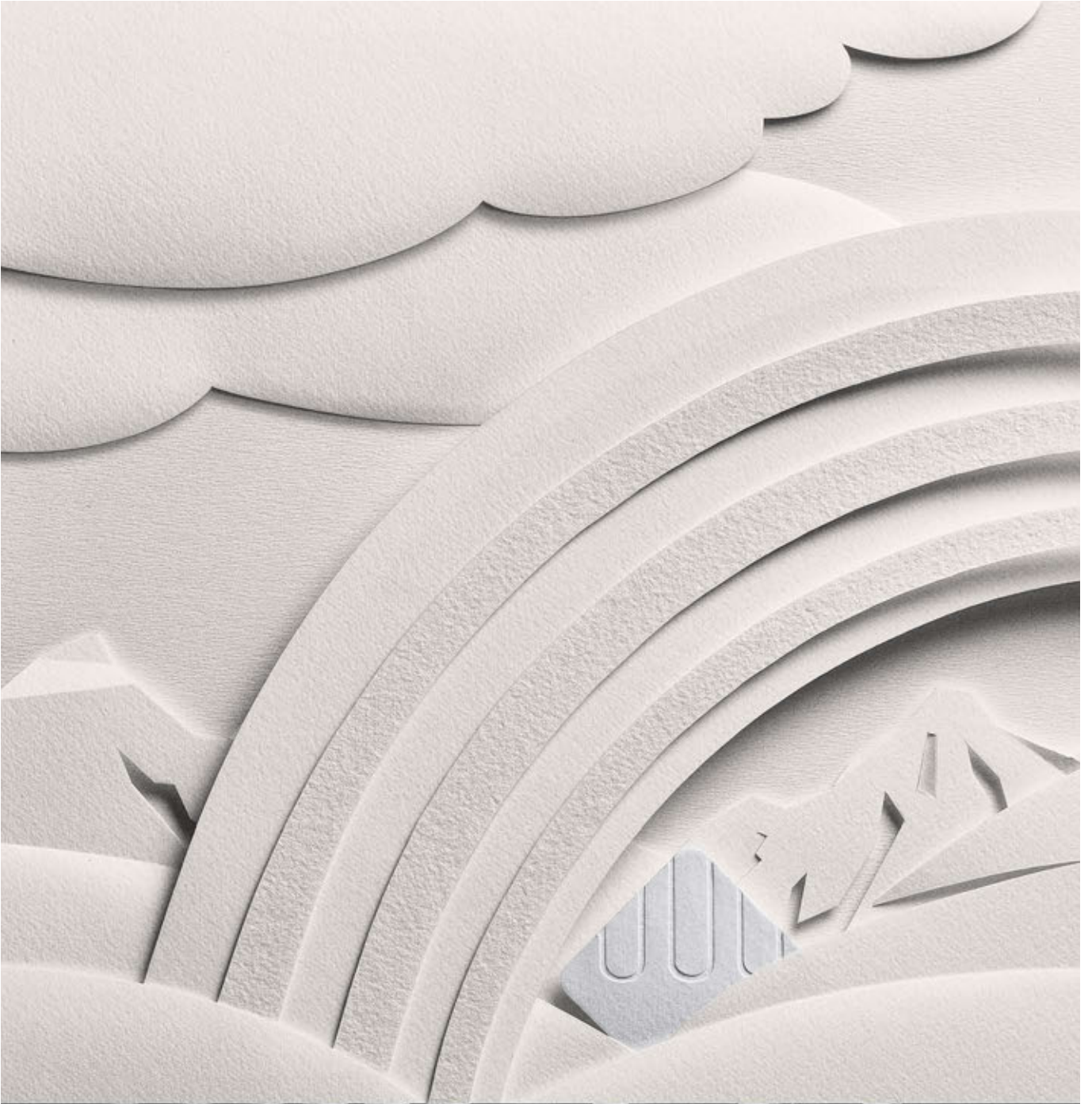
The conversion factors used to standardise energy consumption come from the table "UK Government GHG Conversion Factors for Company Reporting - Fuel properties" published by DEFRA, in the latest available version.

### Greenhouse gas emissions

Greenhouse gas emissions have been calculated according to the principles set out in the international standard ISO 14064-1. In particular, it should be noted that the only greenhouse gas considered was carbon dioxide (CO<sub>2</sub>). The emission factors used for the calculation of CO<sub>2</sub> emissions were determined as follows:

- **Direct emissions (Scope 1):** the scope 1 emissions of the plants covered by the ETS system were added to the emissions related to the consumption of natural gas and diesel, using as emission factors the data included in the Table of national standard parameters and published by the Italian Ministry for the Environment, from 2017 to 2019. The CO<sub>2</sub>eq emissions linked to the quantities of refrigerant gases lost during the covered period are also added to these (source: Defra).
- **Indirect emissions (Scope 2):** indirect emissions correspond to electricity consumption and have been calculated according to the location-based and market-based approaches. For the calculation of location-based emissions, the factor reported in Table 49 - Main socio-economic and energy indicators (published by Terna in the International Comparisons section, which has Enerdata as its source and is available in the most recent version with reference to the year 2017) was used for the calculation of indirect emissions for 2017-2019. For the calculation of market-based emissions, the residual mixes were used as reported in the document "European Residual Mixes", published by ABI.





## 7. GRI CONTENT INDEX

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GRI Standard	Disclosure	Page number	Note / Omission
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102-49	Changes in reporting		No significant changes in objectives or scope were made
102-50	Reporting period	81	
102-51	Date of most recent report	2019	
102-52	Reporting cycle	80	
102-53	Contact point for questions regarding the report		infobds@acciaierievenete.com
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GRI Standard	Disclosure	Page number	Note / Omission
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<b>ECONOMIC PERFORMANCE INDICATORS</b>			
<b>ECONOMIC PERFORMANCE</b>			
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<b>ANTI-CORRUPTION</b>			
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its boundary	11, 12, 81	
103-2	The management approach and its components	19	
103-3	Evaluation of the management approach	19	
<b>GRI 205: Anti-corruption 2016</b>			
205-3	Confirmed incidents of corruption and actions taken		No cases of corruption were detected in the three-year period 2017-2019
<b>PROCUREMENT PRACTICES</b>			
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its boundary	11, 12, 81	
103-2	The management approach and its components	29	
103-3	Evaluation of the management approach	29	
<b>GRI 204: Purchasing policies</b>			
204-1	Proportion of spending on local suppliers	29	
<b>ENVIRONMENTAL PERFORMANCE INDICATORS</b>			
<b>ENERGY</b>			
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its boundary	11, 12, 81	
103-2	The management approach and its components	68-70	
103-3	Evaluation of the management approach	68-70	
<b>GRI 302: Energy 2016</b>			
302-1	Energy consumption within the organization	69	
<b>EMISSIONS</b>			
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its boundary	11, 12, 81	
103-2	The management approach and its components	75-76	
103-3	Evaluation of the management approach	75-76	
<b>GRI 305: Emissions 2016</b>			
305-1	Direct (Scope 1) GHG emissions	76	
305-2	Energy indirect (Scope 2) GHG emissions	76	
305-7	Nitrogen oxides (NO <sub>x</sub> ), Sulfur oxides (SO <sub>x</sub> ) and other significant air emissions	76	

GRI Standard	Disclosure	Page number	Note / Omission
<b>WATER CONSUMPTION</b>			
<b>GRI 103: Management Approach</b>			
103-1	Explanation of the material topic and its boundary	11, 12, 81	
103-2	The management approach and its components	74	
103-3	Evaluation of the management approach	74	
<b>GRI 303: Water consumption (2018)</b>			
303-3	Water withdrawal	74	
303-4	Water discharged	74	
<b>MATERIALS</b>			
<b>GRI 103: Management Approach</b>			
103-1	Explanation of the material topic and its boundary	11, 12, 81	
103-2	The management approach and its components	71	
103-3	Evaluation of the management approach	71	
<b>GRI 301: Materials</b>			
301-1	Materials used by weight or volume	71	
<b>EFFLUENTS AND WASTE</b>			
<b>GRI 103: Management Approach</b>			
103-1	Explanation of the material topic and its boundary	11, 12, 81	
103-2	The management approach and its components	72-73	
103-3	Evaluation of the management approach	72-73	
<b>GRI 306: Effluents and waste</b>			
306-2	Waste by type and disposal method	72-73	
<b>ENVIRONMENTAL COMPLIANCE</b>			
<b>GRI 103: Management Approach</b>			
103-1	Explanation of the material topic and its boundary	11, 12, 81	
103-2	The management approach and its components	64-65	
103-3	Evaluation of the management approach	64-65	
<b>GRI 307: Environmental compliance</b>			
307-1	Non-compliance with environmental laws and regulations	65	
<b>OCCUPATIONAL HEALTH AND SAFETY</b>			
<b>GRI 103: Management Approach</b>			
103-1	Explanation of the material topic and its boundary	11, 12, 81	
103-2	The management approach and its components	54-55	
103-3	Evaluation of the management approach	54-55	
<b>GRI 403: Occupational health and safety (2018)</b>			

GRI Standard	Disclosure	Page number	Note / Omission
403-1	Occupational health and safety management system	54-55	
403-2	Hazard identification, risk assessment and accident investigation	54-55	
403-3	Occupational health services	54-55	
403-4	Participation, consultation and communication on worker occupational health and safety	54-55	
403-5	Worker training on occupational health and safety	54-55	
403-6	Promotion of worker health	54-55	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationship	54-55	
403-8	Workers covered by an occupational health and safety management system	54-55	
403-9	Work-related injuries	57	Reporting not extended to external contractors
403-10	Work-related ill-health		Inail is currently analysing an occupational disease complaint

### SOCIAL PERFORMANCE INDICATORS

#### HUMAN RESOURCES

##### GRI 103: Management Approach 2016

103-1	Explanation of the material topic and its boundary	11, 12, 81	
103-2	The management approach and its components	48	
103-3	Evaluation of the management approach	48	

##### GRI 401: Human resources

401-1	New employee hires and employee turnover	50	
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#### LABOUR/MANAGEMENT RELATIONS

##### GRI 103: Management Approach 2016

103-1	Explanation of the material topic and its boundary	11, 12, 81	
103-2	The management approach and its components	48	
103-3	Evaluation of the management approach	48	

##### GRI 402: Management of employment relationships

402-1	Minimum notice periods regarding operational changes		As required by national law
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#### TRAINING AND EDUCATION

##### GRI 103: Management Approach 2016

103-1	Explanation of the material topic and its boundary	11, 12, 81	
103-2	The management approach and its components	53-55	
103-3	Evaluation of the management approach	53-55	

##### GRI 404: Training and education 2016

404-1	Average hours of training per year per employee	53	
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GRI Standard	Disclosure	Page number	Note / Omission
404-3	Percentage of employees receiving regular performance and career development reviews	55	
<b>CUSTOMER HEALTH AND SAFETY</b>			
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its boundary	11, 12, 81	
103-2	The management approach and its components	39-41	
103-3	Evaluation of the management approach	39-41	
<b>GRI 416: Customer health and safety 2016</b>			
416-2	Incident of non-compliance concerning the health and safety impacts of products and services		There were no cases of non-compliance related to customer health of product safety in the two-year period 2017-2018 considered
<b>NON-GRI DISCLOSURE</b>			
<b>LOCAL COMMUNITIES</b>			
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its boundary	11, 12, 81	
103-2	The management approach and its components	60	
103-3	Evaluation of the management approach	60	
<b>INNOVATION</b>			
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of material aspects and their boundaries	11, 12, 81	
103-2	The management approach and its components	42-44	
103-3	Evaluation of the management approach	42-44	



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## Independent auditors' report on the Sustainability Report

*(Translation from the original Italian text)*

To the board of Directors of Acciaierie Venete S.p.A.

We have been appointed to perform a limited assurance engagement on the Sustainability Report of Acciaierie Venete S.p.A. (hereinafter "the Company") for the year ended on December 31<sup>st</sup>, 2019.

### Directors' responsibility on the Sustainability Report

The Directors of Acciaierie Venete S.p.A. are responsible for the preparation of the Sustainability Report in accordance with the "Global Reporting Initiative Sustainability Reporting Standards" issued by GRI - Global Reporting Initiative ("GRI Standards"), as described in the paragraph "Methodological Note" of the Sustainability Report.

The Directors are also responsible for that part of internal control that they consider necessary in order to allow the preparation of a Sustainability Report that is free from material misstatements caused by fraud or not intentional behaviors or events.

The Directors are also responsible for defining the commitments of the Acciaierie Venete S.p.A. regarding the sustainability performance, as well as for the identification of the stakeholders and of the significant matters to report.

### Auditors' independence and quality control

We are independent in accordance with the ethics and independence principles of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, based on fundamental principles of integrity, objectivity, professional competence and diligence, confidentiality and professional behavior.

Our audit firm applies the International Standard on Quality Control 1 (ISQC Italia 1) and, as a result, maintains a quality control system that includes documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable laws and regulations.

### Auditors' responsibility

It is our responsibility to express, on the basis of the procedures performed, a conclusion about the compliance of the Sustainability Report with the requirements of the GRI Standards. Our work has been performed in accordance with the criteria established by the principle "International Standard on Assurance Engagements ISAE 3000 (Revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information" (hereinafter "ISAE 3000 Revised"), issued by the International Auditing and Assurance Standards Board (IAASB) for limited assurance engagements. This principle requires the planning and execution of procedures in order to obtain a limited assurance that the Sustainability Report is free from material misstatements.

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Therefore, the extent of work performed in our examination was lower than that required for a full examination according to the ISAE 3000 Revised ("reasonable assurance engagement") and, hence, it does not provide assurance that we have become aware of all significant matters and events that would be identified during a reasonable assurance engagement.

The procedures performed on the Sustainability Report were based on our professional judgment and included inquiries, primarily with Company's personnel responsible for the preparation of the information included in the Sustainability Report, documents analysis, recalculations and other procedures in order to obtain evidences considered appropriate.

In particular, we have performed the following procedures:

1. Analysis of the process relating to the definition of material aspects included in the Sustainability Report, with reference to the criteria applied to identify priorities for the different stakeholders categories and to the internal validation of the process outcomes;
2. comparison of economic and financial data and information included in the paragraph 2.3 "The economic value generated and distributed by Acciaierie Venete" of the Sustainability Report with those included in the financial statement of Acciaierie Venete S.p.A.;
3. Understanding of the processes that lead to the generation, detection and management of significant qualitative and quantitative information included in the Sustainability Report.
4. In particular, we have conducted interviews and discussions with the management of Acciaierie Venete S.p.A. and we have performed limited documentary evidence procedures, in order to collect information about the processes and procedures that support the collection, aggregation, processing and transmission of data and information to the department responsible for the preparation of the Sustainability Report.

Furthermore, for significant information, considering the Company's activities and characteristics:

- at Company level:
  - a) with reference to the qualitative information included in the Sustainability Report, we carried out inquiries and acquired supporting documentation to verify its consistency with the available evidence;
  - b) with reference to quantitative information, we have performed both analytical procedures and limited assurance procedures to ascertain on a sample basis the correct aggregation of data.
- For the following site, Riviera Francia (Padova), that we have selected based on its activity, relevance to the performance indicators and location, we have carried out site visits during which we have had discussions with management and have obtained evidence about the appropriate application of the procedures and the calculation methods used to determine the indicators.



### **Conclusion**

Based on the procedures performed, nothing has come to our attention that causes us to believe that the Sustainability Report of Acciaierie Venete S.p.A. for the year ended on December 31<sup>st</sup>, 2019 has not been prepared, in all material aspects, in accordance with the requirements of the GRI Standards, as described in the paragraph "Methodological Note" of the Sustainability Report.

### **Other Information**

The comparative information presented in the Sustainability Report for the year ended on December 31<sup>st</sup>, 2017 and on December 31<sup>st</sup>, 2018 have not been examined.

Padova, October 2<sup>nd</sup>, 2020

EY S.p.A.

Stefano Marchesin  
(Partner)

*This report has been translated into the English language solely for the convenience of international readers.*





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